To: Welti, Tyler (Perkins Coie)[TWelti@perkinscoie.com]
Cc: MacAllister, Julia[MacAllister.Julia@epa.gov]
From: Korotney, David
Sent: Wed 4/24/2013 5:27:15 PM
Subject: RE: RFS carry-over question

I think there may be a problem is the wording we're using.

There are "deficit carryovers" that pertain to RVOs, and there are RIN carryovers. These are two different things. A deficit carryover means that you do not have enough RINs to meet you RVO, and are carrying over some of it to the next year. RIN carryovers mean that you have too many RINs, and you are carryover over some of them to the next year.

Deficit carryover are described in see 80.1427(b).

RIN carryovers are described in 80.1427(a)(6) but the term "carryover RIN" is not used in the regs (it's just a term of art that most people use)

The rollover cap described in 80.1427(a)(5) applies to the use of carryover RINs, not deficit carryovers.

From: Welti, Tyler (Perkins Coie) [mailto:TWelti@perkinscoie.com]
Sent: Wednesday, April 24, 2013 12:53 PM
To: Korotney, David
Cc: MacAllister, Julia
Subject: RE: RFS carry-over question

Thank you. By "both years," I meant the RVO for year *i*, and the RVO for year *i*-1 that a party carried over into year *i*.

Can you please clarify whether, according to your reading—"RINs generated in year i can be used to meet an RVO for year i+1 so long as the sum of all year i RINs does not exceed 20% of the year i+1 RVO"—the following limitation would also apply: RINs generated in year *i*+1 can be used to meet an RVO for year *i* so long as the sum of all year *i*+1 RINs used to meet the RVO for year *i* does not exceed 20% of the year *i* RVO. I do not read the regulations to provide for this limitation but would appreciate your confirmation.

Thank you again,

Tyler

Tyler Welti | **Perkins Coie LLP**
700 13th St. NW
Washington, DC 20005-3960
(202) 654-6214 office
(202) 654-9143 fax

From: Korotney, David [mailto:korotney.david@epa.gov]
Sent: Wednesday, April 24, 2013 7:56 AM
To: Welti, Tyler (Perkins Coie)
Cc: MacAllister, Julia
Subject: RE: RFS carry-over question

Your description is mostly correct. However, the statement " a party could use 50% RINs generated in year *i*-1 and 50% RINs generated in year *i* to satisfy RVOs for both years" threw me off. I don't know what you meant by "both years".

All RINs are valid for use in meeting an RVO for the year in which those RINs were generated or the following year. RINs expire in the third year of their life. Thus there is no limit on the number of RINs generated in year i that can be carried over into year i+1. However, there is a limit on how many year i RINs can be used for compliance in year i+1.

RINs generated in year i can be used to meet an RVO for year i+1 so long as the sum of all year i RINs does not exceed 20% of the year i+1 RVO.

From: Welti, Tyler (Perkins Coie) [mailto:TWelti@perkinscoie.com]
Sent: Tuesday, April 23, 2013 5:48 PM
To: Korotney, David
Cc: MacAllister, Julia
Subject: RE: RFS carry-over question

David and Julia,

Thank you for your response.

I have one related question. Are there any limitations on what year or "vintage" of RINs an obligated party must use to satisfy its RVO? In other words, I'd like to confirm that an obligated party that carries a debt over from year $i-1$ into year i, can use RINs generated in year $i-1$ and/or year i to satisfy the RVOs for both years, without limitation.

This question arises from the "rollover cap" now set forth in 40 C.F.R. § 80.1427(a)(5), which I've excerpted below.

(5) The value of $(\Sigma \text{RINNUM})_{i-1}$ may not exceed values determined by the following inequalities except as provided in paragraph (a)(7)(iii) of this section and § 80.1442(d):

$(\Sigma \text{RINNUM})_{CB,i-1} \leq 0.20 * \text{RVO}_{CB,i}$

$(\Sigma \text{RINNUM})_{BBD,i-1} \leq 0.20 * \text{RVO}_{BBD,i}$

$(\Sigma \text{RINNUM})_{AB,i-1} \leq 0.20 * \text{RVO}_{AB,i}$

$(\Sigma \text{RINNUM})_{RF,i-1} \leq 0.20 * \text{RVO}_{RF,i}$

My understanding of this provision, which is supported by the preamble in the Federal Register, 75 Fed. Reg. 14722−23 (Mar. 26, 2010), is that it simply prohibits a party from rolling over more than 20% of the party's RVO in owned RINs from year *i* to year *i*+1. In this way, the provision inhibits the "hoarding" of RINs from one year to the next. The provision does *not* impose any sort of percentage cap on the vintage of RINs that a party may use to satisfy outstanding RVOs in any given year (i.e. a party could use say 50% RINs generated in year *i*-1 and 50% RINs generated in year *i* to satisfy RVOs for both years, so long as the company does not hoard more than 20% of its RVO in *i*-1-generated RINs at one time).

I'd happy to discuss this issue if it is more convenient for you—I realize that 40 C.F.R. § 80.1427(a)(5) is a bit difficult to decode and articulate.

Thanks again,

Tyler

Tyler Welti | **Perkins Coie** LLP
700 13th St. NW
Washington, DC 20005-3960
(202) 654-6214 office
(202) 654-9143 fax

From: Korotney, David [mailto:korotney.david@epa.gov]
Sent: Friday, April 19, 2013 2:08 PM
To: Welti, Tyler (Perkins Coie)
Cc: MacAllister, Julia
Subject: FW: RFS carry-over question

That is correct. There is no limit on the size of a deficit carryover provided those two conditions are met.

David

From: Welti, Tyler (Perkins Coie) [mailto:TWelti@perkinscoie.com]
Sent: Friday, April 19, 2013 11:32 AM
To: MacAllister, Julia
Subject: RFS carry-over question

Hi Julia,

I'm contacting you because you were so responsive when I contacted you regarding the comment deadline for the proposed 2013 RFS standards. I also contacted the EPA RFS fuels support line but have not heard back. If you don't want to respond, please let me know if there is a more appropriate contact for the following question/request.

I'd just like to confirm that, under the RIN carryover provisions, there are not any limitations that prevent an obligated party from carrying forward a substantial deficit for all current-year RVO categories, including biomass-based diesel, so long as the obligated party (1) complied with its RVO for the previous calendar year and (2) satisfies the RVOs for the current and next calendar years by the end of the next calendar year.

I'd really appreciate your confirmation of this point.

Thank you again,

Tyler

Tyler Welti | Perkins Coie LLP
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(202) 654-6214 office
(202) 654-9143 fax

To: Welti, Tyler (Perkins Coie)[TWelti@perkinscoie.com]
Cc: MacAllister, Julia[MacAllister.Julia@epa.gov]
From: Korotney, David
Sent: Wed 4/24/2013 11:56:13 AM
Subject: RE: RFS carry-over question

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RINs generated in year i can be used to meet an RVO for year i+1 so long as the sum of all year i RINs does not exceed 20% of the year i+1 RVO.

From: Welti, Tyler (Perkins Coie) [mailto:TWelti@perkinscoie.com]
Sent: Tuesday, April 23, 2013 5:48 PM
To: Korotney, David
Cc: MacAllister, Julia
Subject: RE: RFS carry-over question

David and Julia,

Thank you for your response.

I have one related question. Are there any limitations on what year or “vintage” of RINs an obligated party must use to satisfy its RVO? In other words, I’d like to confirm that an obligated party that carries a debt over from year $i-1$ into year i, can use RINs generated in year $i-1$ and/or year i to satisfy the RVOs for both years, without limitation.

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$(\Sigma \mathrm{RINNUM})_{BBD,i-1} \leq 0.20 * \mathrm{RVO}_{BBD,i}$

$(\Sigma \mathrm{RINNUM})_{AB,i-1} \leq 0.20 * \mathrm{RVO}_{AB,i}$

$(\Sigma \mathrm{RINNUM})_{RF,i-1} \leq 0.20 * \mathrm{RVO}_{RF,i}$

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I'd happy to discuss this issue if it is more convenient for you—I realize that 40 C.F.R. § 80.1427(a)(5) is a bit difficult to decode and articulate.

Thanks again,

Tyler

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Washington, DC 20005-3960
(202) 654-6214 office
(202) 654-9143 fax

From: Korotney, David [mailto:korotney.david@epa.gov]
Sent: Friday, April 19, 2013 2:08 PM
To: Welti, Tyler (Perkins Coie)
Cc: MacAllister, Julia
Subject: FW: RFS carry-over question

That is correct. There is no limit on the size of a deficit carryover provided those two conditions are met.

David

From: Welti, Tyler (Perkins Coie) [mailto:TWelti@perkinscoie.com]
Sent: Friday, April 19, 2013 11:32 AM
To: MacAllister, Julia
Subject: RFS carry-over question

Hi Julia,

I'm contacting you because you were so responsive when I contacted you regarding the comment deadline for the proposed 2013 RFS standards. I also contacted the EPA RFS fuels support line but have not heard back. If you don't want to respond, please let me know if there is a more appropriate contact for the following question/request.

I'd just like to confirm that, under the RIN carryover provisions, there are not any limitations that prevent an obligated party from carrying forward a substantial deficit for all current-year RVO categories, including biomass-based diesel, so long as the obligated party (1) complied with its RVO for the previous calendar year and (2) satisfies the RVOs for the current and next calendar years by the end of the next calendar year.

I'd really appreciate your confirmation of this point.

Thank you again,

Tyler

Tyler Welti | Perkins Coie LLP
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Washington, DC 20005-3960
(202) 654-6214 office
(202) 654-9143 fax

To: TWelti@perkinscoie.com[TWelti@perkinscoie.com]
Cc: MacAllister, Julia[MacAllister.Julia@epa.gov]
From: Korotney, David
Sent: Fri 4/19/2013 6:08:27 PM
Subject: FW: RFS carry-over question

That is correct. There is no limit on the size of a deficit carryover provided those two conditions are met.

David

From: Welti, Tyler (Perkins Coie) [mailto:TWelti@perkinscoie.com]
Sent: Friday, April 19, 2013 11:32 AM
To: MacAllister, Julia
Subject: RFS carry-over question

Hi Julia,

I'm contacting you because you were so responsive when I contacted you regarding the comment deadline for the proposed 2013 RFS standards. I also contacted the EPA RFS fuels support line but have not heard back. If you don't want to respond, please let me know if there is a more appropriate contact for the following question/request.

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I'd really appreciate your confirmation of this point.

Thank you again,

Tyler

Tyler Welti | Perkins Coie LLP
700 13th St. NW
Washington, DC 20005-3960
(202) 654-6214 office
(202) 654-9143 fax

To: TWelti@perkinscoie.com[TWelti@perkinscoie.com]
From: Korotney, David
Sent: Tue 4/9/2013 3:00:40 PM
Subject: Re: Question re deadline for submission of comments on Proposed 2013 Renewable Fuel Standards

If there was a problem with the docket, send them to me dorectly and I will make sure they get in. They will be considered on-time.

From: MacAllister, Julia
Sent: Tuesday, April 09, 2013 9:26 AM
To: Korotney, David
Subject: FW: Question re deadline for submission of comments on Proposed 2013 Renewable Fuel Standards

From: Welti, Tyler (Perkins Coie) [mailto:TWelti@perkinscoie.com]
Sent: Monday, April 08, 2013 6:38 PM
To: MacAllister, Julia
Subject: RE: Question re deadline for submission of comments on Proposed 2013 Renewable Fuel Standards

Julia,

Thanks again for your response. You will see that I just submitted two comments, one by Coffeyville Resources Refining & Marketing, LLC and Wynnewood Refining Company, LLC, and the other by Monroe Energy LLC. I'm a bit concerned because the regulations.gov docket for Docket ID No. EPA-HQ-OAR-2012-0546 was closed today, even though you said that the agency will accept comments today. Can you please confirm the you will in fact accept the comments I sent referenced above?

Thank you again,

Tyler

Tyler Welti | **Perkins Coie** LLP
700 13th St. NW
Washington, DC 20005-3960
(202) 654-6214 office
(202) 654-9143 fax

From: Welti, Tyler (Perkins Coie)
Sent: Friday, April 05, 2013 1:48 PM
To: MacAllister, Julia
Subject: RE: Question re deadline for submission of comments on Proposed 2013 Renewable Fuel Standards

Thank you for the response. We will submit our comments on Monday then.

Regards

Tyler

Tyler Welti | **Perkins Coie** LLP
700 13th St. NW
Washington, DC 20005-3960
(202) 654-6214 office
(202) 654-9143 fax

From: MacAllister, Julia [mailto:MacAllister.Julia@epa.gov]
Sent: Friday, April 05, 2013 10:31 AM
To: Welti, Tyler (Perkins Coie)
Subject: RE: Question re deadline for submission of comments on Proposed 2013 Renewable Fuel Standards

Mr. Welti:

Yes, we will accept comments on Monday April 8, 2013.

From: Welti, Tyler (Perkins Coie) [mailto:TWelti@perkinscoie.com]
Sent: Friday, April 05, 2013 10:16 AM
To: MacAllister, Julia; OTAQ
Subject: Question re deadline for submission of comments on Proposed 2013 Renewable Fuel Standards

Julia MacAllister

Office of Transportation and Air Quality, Assessment and Standards Division, Environmental Protection Agency

2000 Traverwood Drive

Ann Arbor, MI 48105

Hello,

The EPA's February 2, 2013 "Announcement of Regulation of Fuels and Fuel Additives: 2013 Renewable Fuel Standards; Public Hearing" extended "the comment period on the proposed rule to April 7, 2013." April 7 is a Sunday. Can you please clarify whether the comments are due on a Sunday, or if they are in fact due the following business day, Monday April 8?

Thank you very much.

Regards

Tyler

Tyler Welti | Perkins Coie LLP
700 13th St. NW
Washington, DC 20005-3960
(202) 654-6214 office
(202) 654-9143 fax

To: Chris Bliley[cbliley@growthenergy.org]
From: Korotney, David
Sent: Tue 3/19/2013 5:41:09 PM
Subject: RE: Quick Question - RFS Comment Period
2013 standards NPRM - FR hearing announcement.pdf

Yes. Actually it's April 8 since April 7 in a Sunday.

See the third column of the attached.

From: Chris Bliley [mailto:cbliley@growthenergy.org]
Sent: Tuesday, March 19, 2013 1:30 PM
To: Korotney, David
Subject: Quick Question - RFS Comment Period

David,

Just spoke to Julia McAllister and she recommended I email you. After having the hearing at the beginning of March, it was my recollection that the comment period for the 2013 Proposed RFS volumes was extended until April 7th – is that correct?

Many thanks.

Chris

Chris Bliley

Growth Energy

777 North Capitol Street Suite 805

Washington DC 20002

PHONE (202)545-4000

determined as necessary for administering the Department's programs and activities.

The benefits of the Disability and Rehabilitation Research Projects and Centers Program have been well established over the years. Projects similar to the RRTCs have been completed successfully, and the proposed priorities will generate new knowledge through research. The new RRTCs will generate, disseminate, and promote the use of new information that would improve outcomes for individuals with disabilities in the areas of community living and participation, employment, and health and function.

Intergovernmental Review: This program is not subject to Executive Order 12372 and the regulations in 34 CFR part 79.

Accessible Format: Individuals with disabilities can obtain this document in an accessible format (e.g., braille, large print, audiotape, or compact disc) by contacting the Grants and Contracts Services Team, U.S. Department of Education, 400 Maryland Avenue SW., room 5075, PCP, Washington, DC 20202–2550. Telephone: (202) 245–7363. If you use a TDD or TTY, call the FRS, toll free, at 1–800–877–8339.

Electronic Access to This Document: The official version of this document is the document published in the **Federal Register**. Free Internet access to the official edition of the **Federal Register** and the Code of Federal Regulations is available via the Federal Digital System at: *www.gpo.gov/fdsys*. At this site you can view this document, as well as all other documents of this Department published in the **Federal Register**, in text or Adobe Portable Document Format (PDF). To use PDF you must have Adobe Acrobat Reader, which is available free at the site.

You may also access documents of the Department published in the **Federal Register** by using the article search feature at: *www.federalregister.gov*. Specifically, through the advanced search feature at this site, you can limit your search to documents published by the Department.

Dated: February 15, 2013.

Michael Yudin,

Acting Assistant Secretary for Special Education and Rehabilitative Services.

[FR Doc. 2013–03995 Filed 2–20–13; 8:45 am]

BILLING CODE 4000–01–P

ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 80

[EPA–HQ–OAR–2012–0546; FRL–9784–4]

RIN 2060–AR43

Regulation of Fuels and Fuel Additives: 2013 Renewable Fuel Standards; Public Hearing

AGENCY: Environmental Protection Agency (EPA).

ACTION: Announcement of public hearing and extension of comment period.

SUMMARY: The EPA is announcing a public hearing to be held for the proposed rule ''Regulation of Fuels and Fuel Additives: 2013 Renewable Fuel Standards,'' which was published separately in the **Federal Register** on February 7, 2013. (78 FR 9282.) The hearing will be held in Ann Arbor, Michigan on March 8, 2013. EPA is also extending the comment period on the proposed rule to April 7, 2013. The proposed rule would amend the renewable fuel standard program regulations to establish annual percentage standards for cellulosic biofuel, biomass-based diesel, advanced biofuel, and renewable fuels that would apply to all gasoline and diesel produced in the U.S. or imported in the year 2013. The proposal is based in part on EPA's proposed projection of cellulosic biofuel production in 2013, and its proposed determination that the applicable volumes of advanced biofuel and total renewable fuel specified in the statute should not be modified in 2013.

DATES: The public hearing will be held on March 8, 2013 at the location noted below under **ADDRESSES**. The hearing will begin at 9 a.m. and end when all parties present who wish to speak have had an opportunity to do so. Parties wishing to testify at the hearing should notify the contact person listed under **FOR FURTHER INFORMATION CONTACT** by March 1, 2013. Additional information regarding the hearing appears below under **SUPPLEMENTARY INFORMATION**.

ADDRESSES: The hearing will be held at the following location: National Vehicle and Fuel Emissions Laboratory, 2000 Traverwood, Ann Arbor, Michigan 48105. A complete set of documents related to the proposal is available for public inspection at the EPA Docket Center, located at 1301 Constitution Avenue NW., Room 3334, Washington, DC between 8:30 a.m. and 4:30 p.m., Monday through Friday, excluding legal holidays. A reasonable fee may be charged for copying. Documents are also available through the electronic docket system at *http://www.regulations.gov*. (Docket ID No. EPA–HQ–OAR–2012–0546.)

FOR FURTHER INFORMATION CONTACT: Julia MacAllister, Office of Transportation and Air Quality, Assessment and Standards Division, Environmental Protection Agency, 2000 Traverwood Drive, Ann Arbor, MI 48105; telephone number: (734) 214–4131; Fax number: (734) 214–4816; Email address: *macallister.julia@epa.gov*.

SUPPLEMENTARY INFORMATION: The proposal for which EPA is holding the public hearing has been published separately in the **Federal Register** at 78 FR 9282, February 7, 2013.

Public Hearing: The public hearing will provide interested parties the opportunity to present data, views, or arguments concerning the proposal (which can be found at *http://www.epa.gov/otaq/fuels/renewablefuels/index.htm*). The EPA may ask clarifying questions during the oral presentations but will not respond to the presentations at that time. Written statements and supporting information submitted during the comment period will be considered with the same weight as any oral comments and supporting information presented at the public hearing. Written comments must be received by the last day of the comment period.

The public hearing will be held on March 8, 2013 at the location noted under **ADDRESSES**, and will begin at 9 a.m. and end when all parties present who wish to speak have had an opportunity to do so. Those wishing to testify at the public hearing should register in advance by notifying the contact person listed under **FOR FURTHER INFORMATION CONTACT** by March 1, 2013 and copies of written statements will be included in the rulemaking docket.

In the NPRM, we established the deadline for comments as March 25, 2013. Because EPA is required to provide no less than 30 days for comments after the date of the hearing, we are extending the end of the comment period to April 7, 2013.

How can I get copies of this document, the proposed rule, and other related information?

The EPA has established a docket for this action under Docket ID No. EPA–HQ–OAR–2012–0546. The EPA has also developed a Web site for the RFS program, including the notice of proposed rulemaking, at the address given above. Please refer to the notice of proposed rulemaking for detailed information on accessing information related to the proposal.

Dated: February 15, 2013.

Christopher Grundler,

Director, Office of Transportation and Air Quality, Office of Air and Radiation.

[FR Doc. 2013–04003 Filed 2–20–13; 8:45 am]

BILLING CODE 6560–50–P

To: Larry Schafer[lschafer@biodiesel.org]; Mitch.Krebs@POET.COM[Mitch.Krebs@POET.COM]; S.Franco@bingham.com[S.Franco@bingham.com]; john.reese@shell.com[john.reese@shell.com]; fawalas@marathonpetroleum.com[fawalas@marathonpetroleum.com]; meleister@marathonpetroleum.com[meleister@marathonpetroleum.com]; kellyp@api.org[kellyp@api.org]; wibke@michiganlcv.org[wibke@michiganlcv.org]; pniznik@hartenergy.com[pniznik@hartenergy.com]; thogan@npra.org[thogan@npra.org]; ekeller@cleanwater.org[ekeller@cleanwater.org]; ljackson@thumbbioenergy.com[ljackson@thumbbioenergy.com]; asteckel@biodiesel.org[asteckel@biodiesel.org]; ghaer@biodiesel.org[ghaer@biodiesel.org]
From: Korotney, David
Sent: Fri 3/8/2013 7:34:48 PM
Subject: RFS hearing followup

We intend to add all of the testimony presented at today's RFS hearing to the RFS docket (EPA-HQ-OAR-2012-0546). Please send me an electronic version of your written testimony for this purpose.

Thanks,

David

Public Hearing for

2013 Standards under the Renewable Fuel Standard Program

March 8, 2013

Agenda

9:00 am	EPA Opening Statement Bill Charmley, Office of Transportation and Air Quality
9:15 am	Testimony from parties that pre-notified EPA

Order of witnesses:

Tim Hogan	AFPM
Ann Steckel	NBB
Mitch Krebs	Poet
Patrick Kelly	API
Paul Niznik	Hart Energy
Eric Keller	Clean Water Action
Rafe Christofferson	Poet
John Reese	Shell Oil
Gary Haer	NBB
Wibke Heymach	Moms Clean Air Force
Fred Walas	Marathon Petroleum
Leon Jackson	Thumb Bioenergy

Testimony from walk-ins

Hearing will adjourn when all parties have presented testimony

To: Larry Schafer[lschafer@biodiesel.org]
Cc: Grundler, Christopher[grundler.christopher@epa.gov]; Argyropoulos, Paul[Argyropoulos.Paul@epa.gov]; Machiele, Paul[machiele.paul@epa.gov]; Bunker, Byron[bunker.byron@epa.gov]; Manners, Mary[manners.mary@epa.gov]
From: Korotney, David
Sent: Mon 3/4/2013 1:27:38 PM
Subject: RE: Meeting Request for Friday March 8th

Chris will be in DC all day. Also, we don't know exactly how long the hearing will go. Nevertheless, I set aside 1:00 - 1:30 on our calendars for the discussion you requested.

Are you going to be testifying at the hearing, or just attending?

From: Larry Schafer [mailto:lschafer@biodiesel.org]
Sent: Friday, March 01, 2013 4:58 PM
To: Grundler, Christopher; Argyropoulos, Paul; Machiele, Paul; Bunker, Byron; Manners, Mary; Korotney, David
Subject: Meeting Request for Friday March 8th

Chris and team EPA:

Both Gary Haer, NBB Chairman and Anne Steckel, NBB VP of Federal Affairs will be joining me in Anne Arbor next Friday, March 8 at the 2013 RVO Hearing.

While we are in your neighborhood we would like to spend a few minutes with your team (20-30 minutes) to chat briefly about the RFS program.

We don’t have a grand agenda, but would like a few minutes.

Please let me know if we can arrange a brief meeting.

Thanks

Larry Schafer

National Biodiesel Board

O: 202.737.8801

M: 202.997.8072

LSchafer@Biodiesel.org

Biodiesel – America's Advanced Biofuel!

www.americasadvancedbiofuel.com

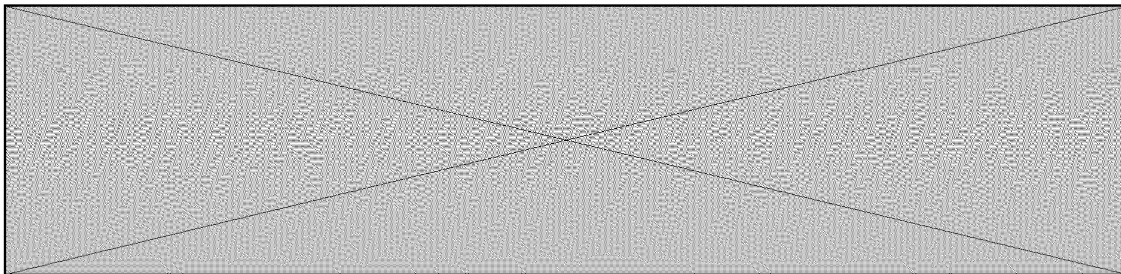
1331 Pennsylvania Ave. NW

Suite 505

Washington DC 20004

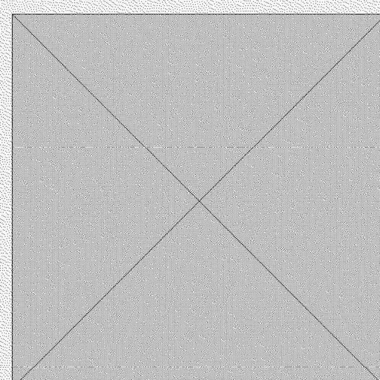
To: Korotney, David[korotney.david@epa.gov]
From: May Biodiesel Bulletin
Sent: Fri 5/1/2015 1:40:03 PM
Subject: Lee Brice launches biodiesel powered tour

View Web Version of This Message



May 1, 2015

Industry Welcomes RFS Timeline Announcement From EPA



On April 10, the U.S. Environmental Protection Agency (EPA) announced it has reached a consent decree in a lawsuit with petroleum groups that legally binds the agency to meet a deadline of June 1 for proposing 2014 and 2015 Renewable Fuel Standard (RFS) volumes. Additionally, it outlined an encouraging new timeline for establishing biodiesel volumes through 2017.

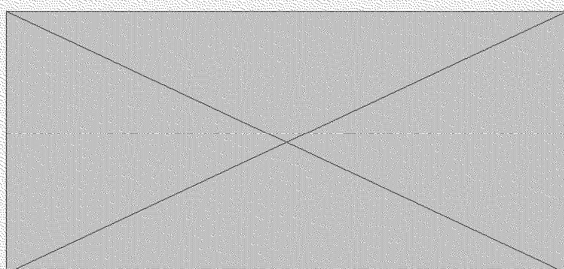
Under the new timeline, the EPA is legally obligated to propose 2015 volumes by June 1 and to finalize 2014 and 2015 RFS volumes by November 30, 2015. The agency also stated that they hope to re-propose 2014 volumes, propose 2016 volumes for all RFS categories and to propose 2017 Biomass-Based Diesel volumes by June 1. All volumes are to be finalized by November 30, 2015.

While the real test of the Administration's commitment to renewable fuels will be in the actual volume numbers that are proposed in the coming weeks. The EPA's announcement is a positive development for the biodiesel industry, which appears to demonstrate the agency's commitment to ending the delays and get the RFS back on track with the statutorily required deadlines for biodiesel.

As the EPA develops its proposal, all biodiesel supporters are encouraged to speak out on social media, in op-eds or letters to the editor, and with elected officials in Washington directly to advocate a strong and growing biodiesel sector under the RFS.

To view EPA's announcement and the consent decree, which the agency agreed to voluntarily, visit EPA's website here.

Let Your Voice Be Heard! Join the Biodiesel Thunderclap Campaign



The National Biodiesel Board recently launched a unique online campaign to raise awareness for biodiesel and with a few quick clicks, you can be a part of it.

The campaign is through a platform called Thunderclap which will flood twitter and Facebook with an important biodiesel message, calling on the US EPA to support a vibrant domestic biodiesel industry by quickly releasing required volumes for annual growth under the Renewable Fuel Standard.

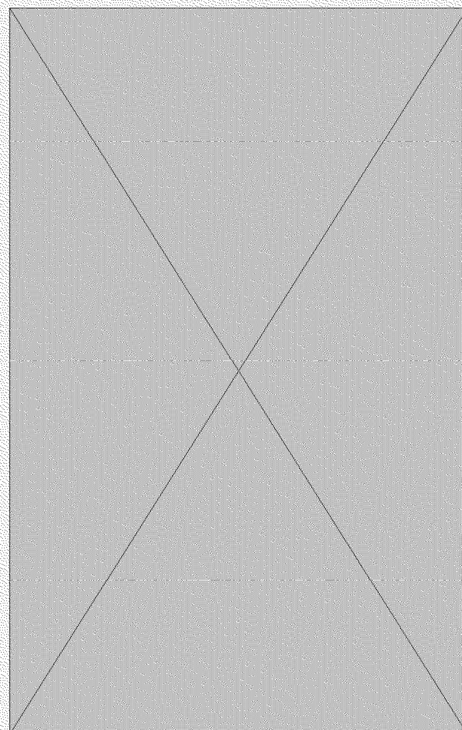
What is Thunderclap? It's a new platform that allows people to pledge a Tweet or Facebook message that is concentrated and unleashed all at the same time. Think of it as a massive flash mob on Twitter. It's completely safe and will automatically post exactly one message on your behalf.

Participation is simple. Click on this link and choose "Support with Facebook," "Support with Twitter" or "Support with Tumblr" – or click each of them if you currently use them all. On May 20, everyone who has signed up will have the same biodiesel message automatically posted to their social media accounts. This will be the only message ever posted through the Thunderclap campaign. The message includes a link to NBB's Fueling Action Center, where supporters can learn more about contacting the EPA to encourage growing biodiesel production through the RFS. That's it!

The biodiesel message is: "Hey #EPA, #getbiodieselbackontrack. We need strong #RFS growth for America's Advanced Biofuel in 2015 and beyond.http://thndr.it/1ODGT5c"

The biodiesel industry depends on its supporters to spread the message and educate others about its numerous benefits. NBB appreciates all who participate and encourage supporters to share the campaign with others.

Earth Day Continues to Effect Change After 45 Years



Each year Earth Day serves as a day for social and political grassroots efforts to raise awareness about our environment worldwide. April 22nd marks the anniversary of what many consider the birth of the modern environmental movement in 1970.

According to the Earth Day Network, the idea came to Earth Day founder Gaylord Nelson, then a U.S. Senator from Wisconsin, after witnessing the ravages of the 1969 massive oil spill in Santa Barbara, California. Inspired by the student anti-war movement, he realized that if he could infuse that energy with an emerging public consciousness about air and water pollution, it would force environmental protection onto the national political agenda.

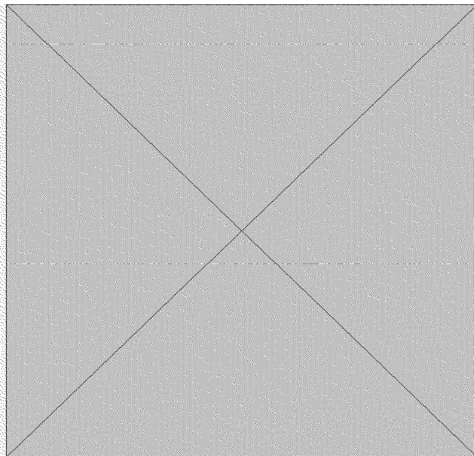
The first Earth Day was so successful it led to the creation of the United States Environmental Protection Agency and the passage of the Clean Air, Clean Water, and Endangered Species Acts.

Earth Day 2015 saw biodiesel play a major role in events from coast to coast. San Francisco's Municipal Transportation Agency announced the purchase of 61 new biodiesel-electric hybrid buses that will run on B20 biodiesel blends. Students in Lexington, South Carolina at the Center for Advanced Technical Studies' clean energy program showcased a new biodiesel reactor they will use to recycle local oil. And the National Biodiesel Board and United Soybean Board partnered with Kennedy Space Center in Florida to showcase biodiesel and other biobased products to thousands of staff and park visitors in their annual Earth Day celebration.

The efforts of organizations and individuals around the world continue to effect change, just as the first Earth Day did more than forty years ago.

New England Clean Cities Coalitions Recognizes Green Fleets

Iowa Gov Takes Spin Around Capitol with Biodiesel

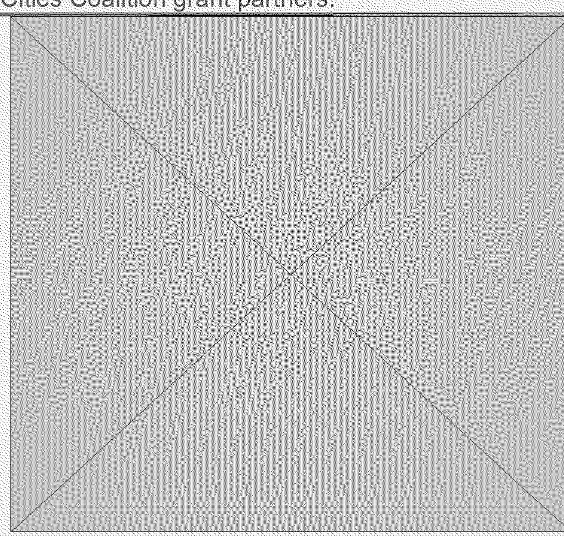


Two New England fleets were recognized recently for their positive impact on the alternative fuel industry. Malloy Energy and Newport Biodiesel were both recognized by their local Clean Cities Coalition with the Northern Stars of New England award. The award recognizes vehicle fleets from around the region for their commitment to the goals of the Clean Cities program. "Malloy Energy and Newport Biodiesel show what an amazing impact small business can have in our state. Both companies stand out as regional leaders in the alternative fuel industry," said Wendy Lucht, Ocean State Clean Cities coordinator.

A deep commitment to cutting carbon emissions and petroleum use through use of alternative fuels, alternative fuel vehicle purchasing, and petroleum reduction practices is the leading factor to recognition as a Northern Star.

Malloy Energy and Newport Biodiesel were selected because 100 percent of their fleets use biodiesel. Malloy's vehicles used nearly 7,800 gallons of biodiesel instead of diesel in 2014, and Newport Biodiesel vehicles used approximately 7,500 gallons of biodiesel.

The designation as a Northern Star requires fleets be stakeholders in their local Clean Cities Coalitions and they meet a list of criteria detailing their commitment to Clean Cities initiatives. The Northern Stars of New England program was funded through a U.S. Department of Energy grant that identified barriers to the proliferation of alternative fuels and how to remove them. Five northern New England Clean Cities Coalitions developed the program. The program is funded by a U.S. Department of Energy grant awarded to Maine Clean Communities, a program of the Greater Portland Council of Governments, and other northern New England Clean Cities Coalition grant partners.



In April, Iowa Governor Terry Branstad and Lieutenant Governor Kim Reynolds were among those who drove the latest clean diesel vehicle offerings, fueled by biodiesel blends, around the Capitol in Des Moines. The appearance was part of the Iowa Biodiesel Board's annual “Biodiesel Day on the Hill” event, where the state trade group held its first ever Ride-and-Drive.

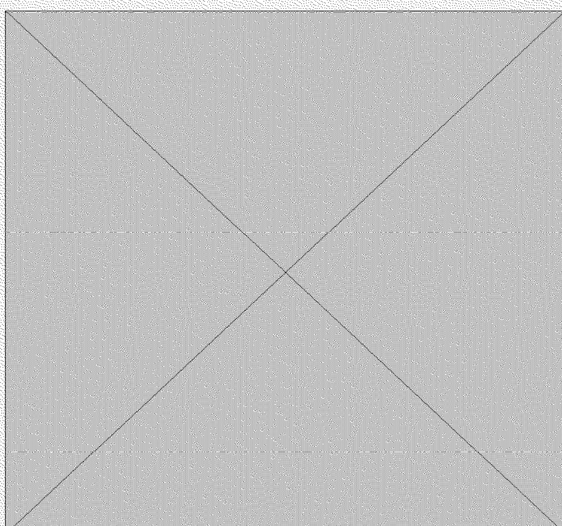
Vehicles on hand included a diesel Chevy Cruze, the only small domestic diesel car; a Ford F-250 Superduty pickup; a Ram 3.0L EcoDiesel pickup; and a diesel Jeep Grand Cherokee. All 2015 models are approved for 20 percent biodiesel (B20), and ran on biodiesel blends during the event.

“As a nation, we should continue to prioritize both a diverse fuel supply and clean, fuel efficient vehicles,” said Grant Kimberley, IBB executive director. “With diesel vehicles running on biodiesel blends, you get both.”

According to the Diesel Technology Forum, conservative industry estimates put diesel's share of the passenger vehicle market at 6 to 10 percent by 2023, exceeding estimates for other alternative vehicle choices such as hybrids and electric vehicles.

Iowa biodiesel producers and supporters also spent the day thanking legislators for their support. Earlier this year, the state raised the fuel tax while providing a partial exemption for diesel blended with at least 11 percent biodiesel (B11).

Lee Brice Partners with Environmental Non-Profit



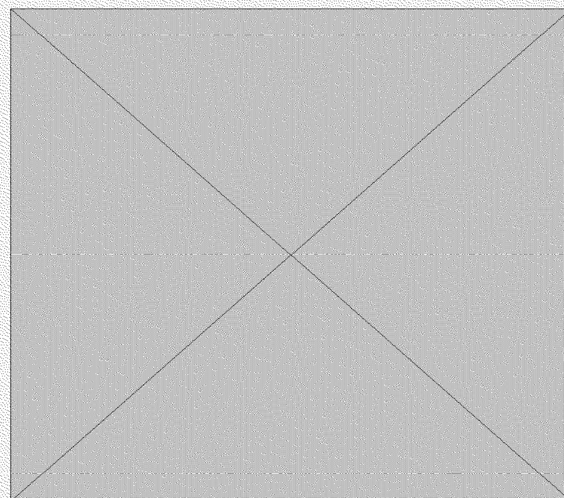
The "evocative" (New York Times) male vocalist, Lee Brice kicks off a headlining tour in partnership with REVERB, a non-profit organization that unites artists and colleges to affect environmental and social change. An avid outdoorsman, Brice's Campus Consciousness initiative focuses on outdoor preservation and water conservation, subjects close to the South Carolina native's heart.

"We're hoping to offset the environmental impact of the tour by supporting clean energy projects and using buses and trucks fueled with locally produced biodiesel. I have two sons and I look at this as investing in their future and that of kids around the world," shares Brice.

Brice, who was recently awarded the ACM Single Record of the Year started his tour with sold-out shows in Hawaii and Australia. Lee will continue to play festivals, fairs and arenas through the spring and summer. Tour dates and tickets are available at leebrice.com.

Founded in 2004, REVERB is a non-profit organization that brings musicians to schools to affect environmental and social change. By employing student volunteers, and working alongside partner artists, REVERB positively impacts college communities, resulting in beach clean ups to trail preservation. Former REVERB partner artists include Dave Matthews Band, Maroon 5, fun, and Jack Johnson.

Pennycress Workshop Advances Commercial Plans



In April, a workshop focusing on advancing commercial plans to bring pennycress into biodiesel's diverse feedstock portfolio in the Midwest took place in Peoria, Ill. The first-of-its-kind workshop included commercial entities and research labs from across the supply chain that share an interest in the development of pennycress for the production of biofuels and other valuable byproducts.

"Commercialization challenges that exist for pennycress are not unlike those for any new crop," said Alan Weber, a feedstock analyst for the National Biodiesel Board who attended the event. "Areas for additional work or research include seed dormancy issues, improving yields with early maturing varieties, co-product evaluation, ensuring eligibility for crop insurance, and the general learning curve for producers with a new crop."

Pennycress (Thlaspi arvense) is a winter annual plant, meaning it emerges in the fall and produces seed the following spring. The promise for pennycress stems from the fact that it fits into an existing Midwest corn-soy rotation without materially affecting either of those crops. The crop would act similarly to a cover crop in that it would scavenge nutrients, thus preventing them from being lost through the soil profile. Planting pennycress also decreases the opportunity for soil erosion, improves soil biology and provides an additional revenue stream for producers.

The Commercial Aviation Alternative Fuels Initiative organized the workshop, hosted at USDA's Agricultural Research Lab. Western Illinois University will hold a Pennycress Field Day on May 28.

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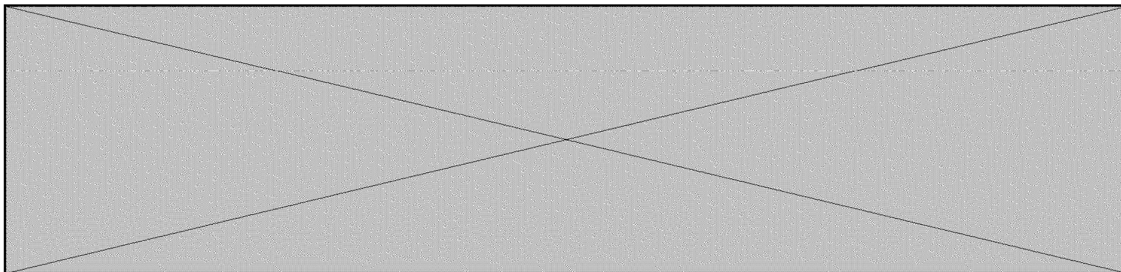
4898

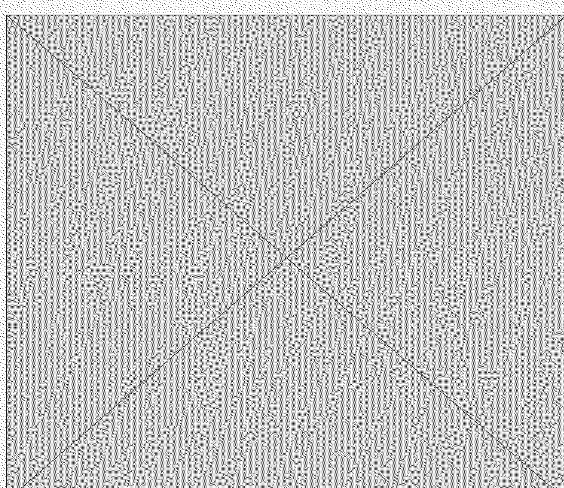
To: Korotney, David[korotney.david@epa.gov]
From: April Biodiesel Bulletin
Sent: Wed 4/1/2015 2:54:22 PM
Subject: NBB Honored with USB “Excellence in Oil” award

View Web Version of This Message



April 1, 2015

Helping Cut Carbon Comes Down to Consumers’ Everyday Tasks



National Biodiesel Day was celebrated on March 18 in honor of Rudolf Diesel’s birthday. Diesel, born in 1858 developed the first diesel engine for the World’s Fair in 1900. His engine ran on peanut oil. He chose to run it on biofuel because he envisioned a time when vegetable oils would one day be as important as petroleum among transportation fuels.

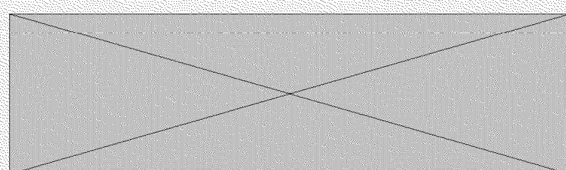
Last year, 114 years after Diesel unveiled his engine, nearly 1.8 billion gallons of biodiesel was used in the US transportation industry. Diesel engines move approximately 90 percent of the nation's goods with more clean burning biodiesel in the mix than ever before, replacing petroleum diesel, and working with clean diesel technology to reduce carbon emissions even further. As a result, consumers, just doing what they do – buying stuff, eating stuff, using stuff – helped support biodiesel and reduce carbon.

"Biodiesel works behind the scenes to deliver a better alternative. It is here now, working today across the country to improve our environment, support our economy and protect energy security," said Steven J. Levy, Chairman of the National Biodiesel Board.

Consumers who want to continue to improve the environment through supporting biodiesel can take an active role by joining the Biodiesel Alliance. The Biodiesel Alliance is a free organization that provides members easy access to news and information about biodiesel and related topics.

Join the Alliance and make a difference, today.

New Fuel Quality Standard Expected to Accelerate Biodiesel in Home Heating



It will soon be easier for heating oil consumers to use higher blends of cleaner burning biodiesel to heat their homes and buildings thanks to a new performance specification announced last month.

ASTM International, an organization which sets industry consensus standards for fuels, released the specifications for blends of 6-to-20 percent biodiesel with traditional heating oil. The landmark move is expected to accelerate the use of Bioheat® fuel.

"The oilheat industry is reinventing itself as a 21st century fuel by moving to higher blends of low carbon biodiesel and ultra-low sulfur levels across the board," said John Huber, president of the National Oilheat Research Alliance.

The home heating oil industry is a nearly seven billion gallon a year market with great potential for more biodiesel as the industry transitions to a cleaner, more environmentally friendly product. The new standards provide assurance to customers that the fuel will operate in their systems as expected.

"Having an official standard for higher biodiesel blends in heating oil will help foster consumer confidence, and give blenders and distributors a needed tool to incorporate more low carbon, ultra-low sulfur biodiesel into heating oil," said Steve Howell of M4 Consulting, and chair of the ASTM Biodiesel Task Force. "Brookhaven National Laboratory surveys of customers already using biodiesel blends not only showed similar or better experience than with traditional fuel oil, they also showed many already use B20 or higher blends with great success," Howell said.

Farmers Recognize Biodiesel Industry With Annual Award

The United Soybean Board recently honored the National Biodiesel Board with the "Excellence in Oil" award for the organization's many contributions to the soybean industry.

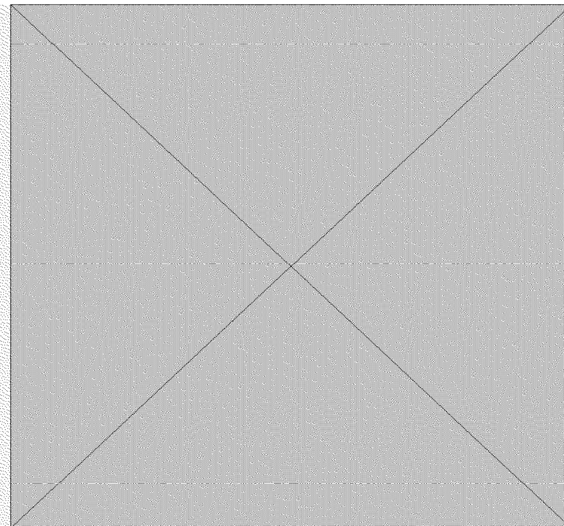
NBB began in 1992 as a research organization, built from a collaboration of soybean farmer leaders with a mission of finding a new market for the vast supplies of surplus soybean oil that had historically been a drag on commodity prices. Starting with just seven founding members, NBB has grown to an organization with more than 200 member companies producing more than a billion gallons of biodiesel annually in commercial facilities across the country.

"The relationship between the biodiesel and soybean industries has been mutually beneficial since the beginning," said former NBB Chairman and USB farmer leader from South Dakota, Bob Metz. "The research dollars invested in the biodiesel industry through our soybean checkoff have paid dividends for soybean farmers. A brand new fuel is something that is very difficult to bring to the market, but we were ultimately successful in our efforts. The fact that we now have an Advanced Biofuel, made from surplus fats and oils, filling five percent of our diesel fuel demand is truly astounding."

Metz, along with NBB CEO Joe Jobe, accepted the award on behalf of the organization during Commodity Classic, an annual agriculture industry event.

Tanker Crashes Offer Two Different Stories on Safety of Hauling Fuel

Bioheat® Ad Campaign Engages Consumers While Giving Back



The images are a stark contrast. One tanker truck laying on its side shut down five lanes of busy interstate for most of a day as crews cleaned up fuel from the roadway and moved the large vehicle. The other, a flaming inferno that destroyed multiple vehicles had emergency crews fighting to control a fire that closed a Michigan interstate for more than a week.

The two tanker accidents last month on back-to-back days in Maryland and Michigan were serious reminders of the dangers of transporting fuel. However, they also offered a lasting visual of how much safer biodiesel is to ship and handle than petroleum fuel.

“Biodiesel’s high flashpoint means it is much less combustible and safer to handle than petroleum,” said National Biodiesel Board technical director Scott Fenwick. “It’s also less toxic than table salt and biodegrades as fast as sugar so the environmental impact of a spill like this is very minimal. Not to mention much safer for those emergency responder crews who were on the scene."

Michigan Department of Transportation said 13,000 gallons of diesel fuel and gasoline had been in the Michigan tanker that exploded on I-94.

Miraculously, no serious injuries were reported with either accident.

Fish Fries Fueling Local Cooperative During Lent

Fossil Fuel Industry Caught Taking a Page Out of the Tobacco Playbook

Nebraska Farmer Reiterates Biodiesel Quality

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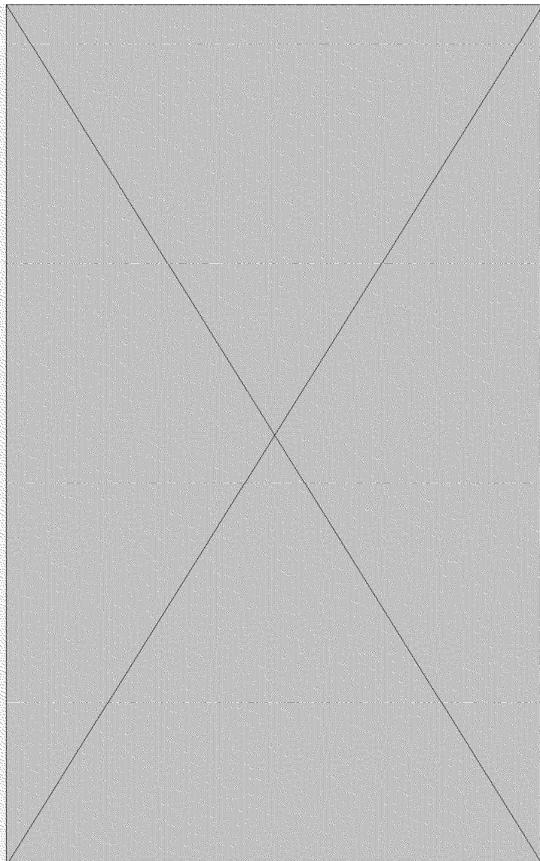


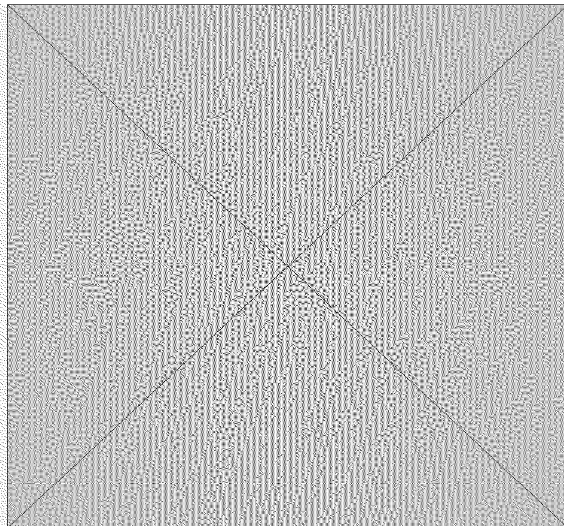
The National Weather Service in Boston declared 2014-15 the all-time snowiest season for the city, and Bioheat® fuel, a blend of oilheat and biodiesel, helped residents ride it out there and throughout the Northeast. As winter comes to a close, so does the Bioheat® consumer campaign, led by the National Biodiesel Board. This balanced campaign included radio and television commercials broadcast on WCVB Channel 5 in Boston, iHeart Media in Connecticut and Rhode Island, and CBS in New York City.

In addition to the commercials, Bioheat® sponsored the WCVB and Salvation Army's "Fill the Tank" campaign, helping more than 400 individuals and families to date pay their heating oil bills. Donations topped $320,000. Another charitable element of the campaign was the Bioheat® "Warm Homes, Warm Hands" hat and mitten drive to support the Boys and Girls Clubs in Providence, Hartford, and Boston.

"We feel this year's campaign was a huge success, based both on the increase in web traffic at Bioheatonline.com, and the support on the ground received by many Bioheat® fuel dealers that took an active role in the grassroots element of the 2015 program," said Paul Nazzaro, NBB's Bioheat® project manager.

Also included in the future advertising plan is a partnership at Six Flags New England, from April to November, with signage to promote the advantages of Bioheat®. The cooking oil used at the park's food concessions is sold to Baker Commodities to be processed into biodiesel.

All radio and television spots can be found on the front page of Bioheatonline.com.

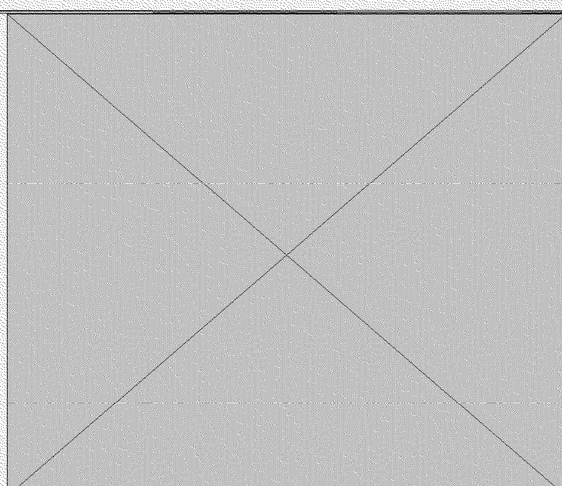


Every year between Ash Wednesda and Easter Sunday Catholics make sacrifices, including meat on Fridays. During those six weeks, it's common for churches to host fish fries on Friday nights. This year those fish fries are doing more than feeding- they're fueling America.

This story from the Omaha World-Herald says that the Omaha Biofuels Coop has collected hundreds of gallons of used cooking oil from local churches during the Lenten season, turning it into biodiesel.

Clean-up following fish fries posed a real issue for the churches because there's no easy solution for disposing of the large quantities of used oil in most communities. Having the local biodiesel coop pick up the oil saved the churches time and money, but more importantly supported a good cause.

Biodiesel can be made from any fat or oil including soybean oil, recycled cooking oil, and animal fats. Biodiesel blends can be used in any diesel engine without modification.

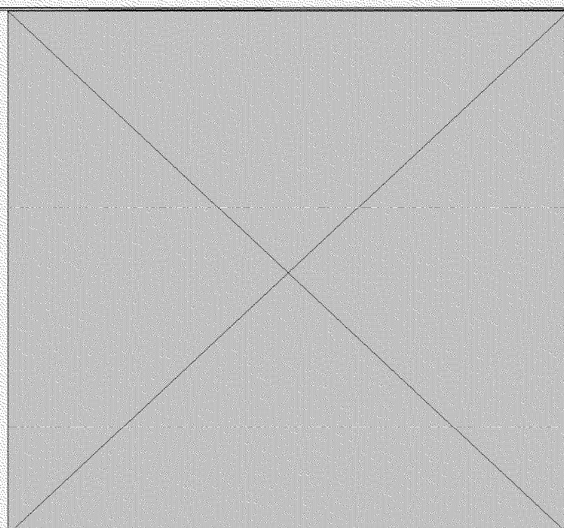


When dealing with health effects of products it is extremely important that sound science is used in the public policy debate. Recently, climate change denier Willie Soon was caught failing to disclose conflicts of interest in his climate research, and subsequent testimony to Congress. This raised alarms for many, including Senator Ed Markey of Massachusetts.

“For years we’ve known that fossil fuel interests have sought to block action on climate change and have denied the science,” said Markey. “This investigation will help to determine who is funding these denial-for-hire operations and whether those who are funded by these fossil fuel interests are keeping their funders’ identities secret from the public and legislators.”

This article from The Guardian said, “Willie Soon’s shoddy research and fossil fuel funding are just a symptom of the underlying problem: the high level of fossil fuel industry influence in the US government. Soon and his cohorts are merely tools used by members of Congress to manufacture doubt, thereby justifying inaction on climate change, and creating enough confusion that the public doesn’t consider the issue a high priority.

It’s the exact same strategy that the tobacco industry successfully implemented to their success, and to the detriment of public health and well-being. Thanks to the efforts of Greenpeace and the Climate Investigations Center to reveal Soon’s fossil fuel funding and conflicts of interest, perhaps this time the scandalous industry misinformation efforts will be brought to an end before it’s too late to avoid serious harm to public health.”



Greg Greving, a Central Nebraska farmer and board member of the Nebraska Soybean Board, told attendees of the Biodiesel Vehicle Showcase Event, that biodiesel powers his operation.

“This fall, my two boys, two hired men and myself, harvested 11,000 acres in 56 days [all running on biodiesel], and the only time we shut down was when we were tired,” he said. “We have not had any trouble running biodiesel.”

But Greving was doing more than just bragging about his farming operation. He was invited to showcase his 1980 Oldsmobile 98 Regency with a 5.7 GM diesel engine, a car in which he also uses biodiesel.

Whether it’s his car or his farm equipment, Greving believes fuel quality is of the utmost importance. A reassuring factor for biodiesel enthusiasts, as the National Biodiesel Board announced its new BQ-9000 Retailer Program. A quality assurance program designed to maintain biodiesel at the high industry specifications from production all the way to consumers.

You can hear to Greg’s remarks from the Vehicle Showcase here.

For the latest issue of *Biodiesel Magazine* click here.

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To: Korotney, David[korotney.david@epa.gov]
From: March Biodiesel Bulletin
Sent: Mon 3/2/2015 8:35:01 PM
Subject: Why We Still Need Alternative Fuels When Gas is Cheap

View Web Version of This Message

March 2, 2015

Anti-Biofuels Groups Attack Sustainability, Industry Responds

Bipartisan Group of Senators Call for Strong Biodiesel RFS

Biodiesel Benefits Overshadow Falling Gas Prices

Sustainable Energy Starts with the Sun

Blunt Highlights the Importance of Biodiesel for our Future

Super Bowl Teams Are Better With Biodiesel

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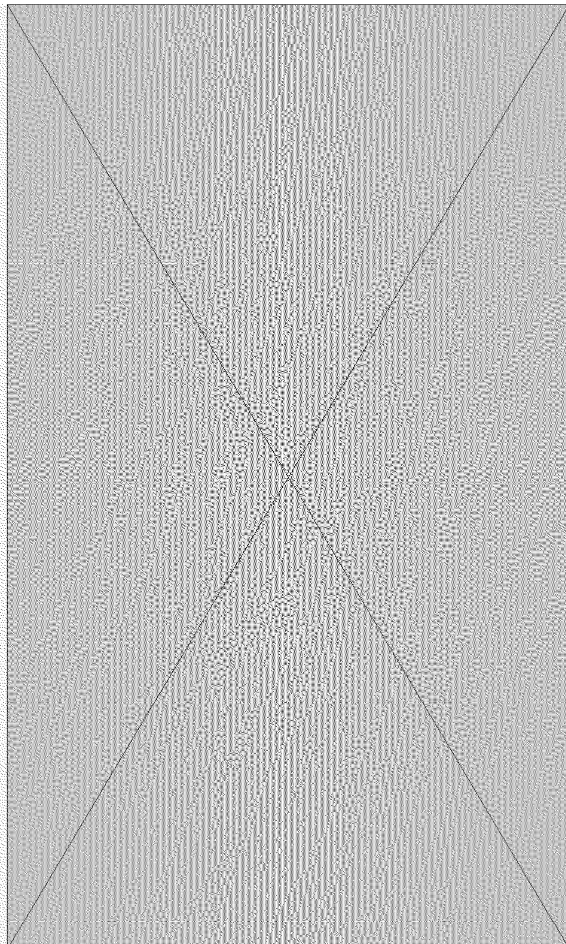


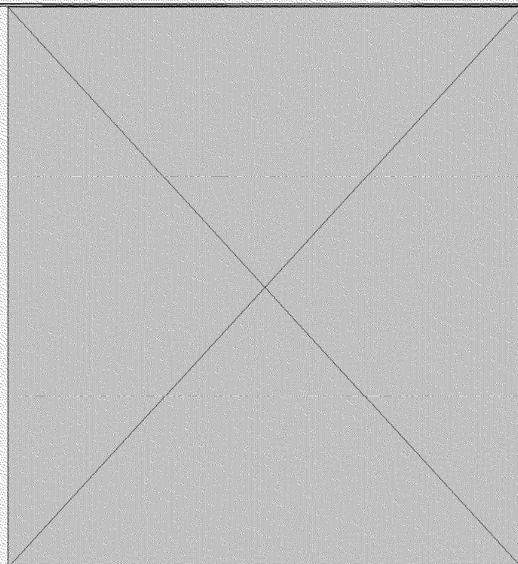
The National Biodiesel Board and bioenergy advocates have been relentlessly responding to Tim Searchinger's latest attack on bioenergy in the New York Times. The NBB's responses have been published in dozens of online and print media outlets. While these outlets limit responses by word-count and other aspects, the NBB is working behind the scenes with partners to strengthen the detailed, scientific rationale for promoting biodiesel.

One scientific institution, Argonne National Laboratory, responded with a 9-page technical paper outlining the critical errors in Searchinger's paper. (The Argonne paper can be found here.)

The Argonne paper points out that soybeans and rapeseed do not fit the definition of 'dedicated energy crops'. The Argonne paper also highlights that the redeeming quality of biodiesel produced from soybeans and rapeseed is the coproduction of protein meal. Protein meal meets food demand while the excess oil provides bioenergy. The paper goes on to criticize Searchinger's artificial straw man of posing bioenergy against photovoltaic solar electricity and it correctly dispels the GHG accounting myth that Searchinger and John DeCicco of University of Michigan have been promoting simultaneously.

Environmental groups like the Union of Concerned Scientists and regulatory agencies like the California Air Resources Board are confirming that biodiesel has a role in biofuel policy by reducing lifecycle greenhouse gas emissions.

Facts will redeem biodiesel in academic and environmental circles. However, the priority remains for NBB and the entire biodiesel industry to be engaged in educating the public on all greenhouse gas and sustainability issues. The industry must continue to dispel the incorrect notion that biofuels, "compete with food."

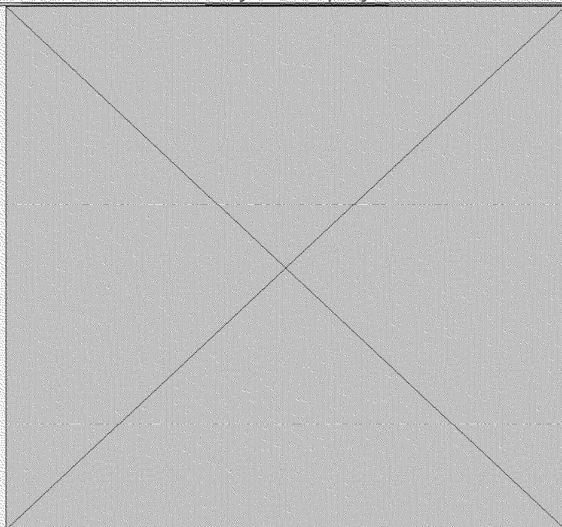


A bipartisan group of 32 U.S. senators, led by Senators Heitkamp (D-ND), Blunt (R-MO), Grassley (R-IA) and Murray (D-WA), sent a letter February 9 to the U.S. Environmental Protection Agency calling on them to quickly approve strong biodiesel volumes under the Renewable Fuel Standard for 2014, 2015, and 2016.

The senators expressed their concern about ongoing delays in implementing the program and called on the Obama administration to get the RFS back on track, highlighting biodiesel as the only EPA-designated advanced biofuel under the RFS to reach commercial scale production nationwide. The letter can be found here. Senator Barbara Boxer, ranking member on the Senate Committee on Environment and Public Works, sent a similar letter to the EPA on biodiesel volumes under the RFS, which can be found here.

The senators wrote that the EPA delays in implementing the RFS have created "tremendous uncertainty and hardship for the U.S. biodiesel industry and its thousands of employees. Plants have reduced production and some have been forced to shut down, resulting in layoffs and lost economic productivity… We urge you to get biodiesel back on schedule under the statutorily prescribed Renewable Volume Obligations (RVO) process and quickly issue volumes for 2014 at the actual 2014 production numbers. We also hope you move forward on the 2015 and 2016 biodiesel volumes in a timely manner."

The EPA is more than two years late in establishing biodiesel volumes under the RFS after failing to establish a requirement for 2014 and 2015. The continued uncertainty under the policy has destabilized the industry, causing many U.S. production plants to stop production and lay off employees.



Now that consumers are paying less at the pump, some industry groups have suggested that the US no longer needs alternatives to petroleum. Even as gasoline prices drop, there are still many benefits to using biodiesel.

Five Reasons Consumers Should Support the Use of Biodiesel:

1. **The Cost of Biodiesel Has Dropped, Too.**

Fuel price varies by location and retailer but generally, the price of biodiesel has dropped as well.

2. Using Biodiesel Means Better Air Quality

One of the largest sources of air pollution is vehicle exhaust and biodiesel burns cleaner than traditional fuel.

3. Supporting Biodiesel is Supporting Local

Using biodiesel supports feedstock farmers across the nation and enhances local economies.

4. Prices are a Roller Coaster

Petroleum prices continuously rise and fall. While we are enjoying relatively low prices today, they won't last forever.

5. You Have a Choice

Diesel vehicles can run on biodiesel blends or traditional diesel, why not make a better choice for the environment.

Continuing to use biodiesel benefits consumers beyond the pump – both now and in the future.

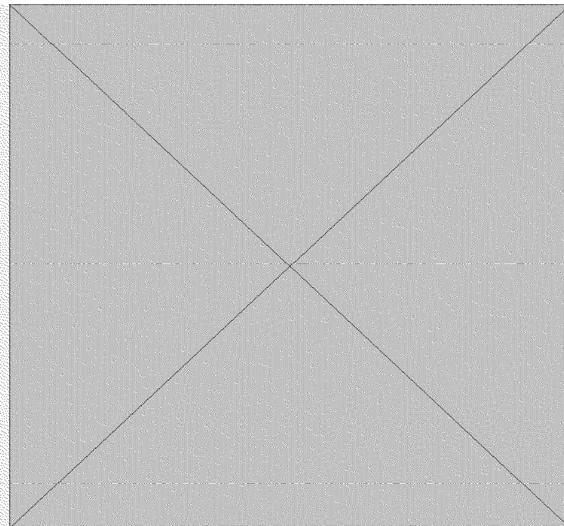
As we begin to understand the consequences of relying on fossil fuel, it befits us to consider other energy sources. Solar energy is abundant, but its challenge is storage, more specifically, mobile storage. Nature's blueprint for mobile storage is in plant seeds. Seeds contain not only genetic material, but also energy to grow and mature. Some plants use carbohydrate sources like sugar or starch others use oil.

While plants that use sugar and starch for energy can be turned into fuel with extra processing, plants that store energy via oil are ideal because that oil is similar to transportation fuel. In fact, the U.S. biodiesel industry started as a solution to successfully rid the food industry of excess oil and make soy-based food cheaper.

Diversity is an essential element to sustainable energy. Biodiesel was one of the first steps in diversifying our energy portfolio. The uses and sources for biodiesel have grown. The industry's success has allowed it to set goals of displacing 5 percent of U.S. diesel fuel by 2015 and 10 percent by 2022.

Following nature's blueprint for energy will help establish more diversity in our energy portfolio. Society needs sustainable energy and that is possible when harnessing solar energy.

Originally posted on the Sustainability Blog, view the entire article.



Matt Blunt, former Missouri Governor recently delivered a timely speech on the importance of biodiesel in our energy future. As the price of crude oil continues to fluctuate, Blunt reminded us of the security biodiesel offers as an alternative fuel source.

“As both a former governor and a Naval officer, I can tell you energy security remains among biofuels’ most important benefits,” said Blunt.

Now the President of the American Automotive Policy Council, Blunt speaks about the role of the automotive industry and our government in ensuring the affordability of the nation’s fuel supply:

“It is essential that the auto industry and government stakeholders continue to work collaboratively to ensure that the diversification of the U.S. transportation fuel supply occurs in a manner that is technologically and economically feasible, and in no way harms consumers.”

Blunt also emphasized the importance of retaining American values through hiring American farmers to fuel our transportation industry.

He argued, “Sending nations that do not share the interests of the United States billions of dollars every year is clearly not ideal public policy.”

Biodiesel can be produced with abundant resources in the United States. There is no need to depend on foreign leaders for our growing energy needs.

“With soybean production in 2014 at a record level of nearly a billion bushels, soybeans are the second-most-planted field crop in the United States,” said Blunt.

With consumers, environmental health, and American values in mind, Blunt highlighted the importance of growing and maintaining diverse energy independence with biodiesel.

Listen to his entire speech.

The Super Bowl featured the two best teams in the NFL against each other. The Super Bowl also featured two teams that rely on biodiesel. The Seahawks use biodiesel at their home stadium and the Patriots enjoyed biodiesel during their post-win celebration.

The Seattle Seahawks employ a number of sustainability initiatives at, CenturyLink Field. The team recycles millions of gallons of used cooking oil each season and ships it to a local biodiesel producer. They also diverted 94 percent of game day waste in 2013 from landfills. The majority went into recycling and composting.

The New England Patriots readily enjoyed their biodiesel more than Seattle this year. Following the Patriots 28-24 victory, the Super Bowl Champions rolled through the streets of Boston in the World War II-style amphibious "duck boat" vehicles, a staple of the city's championship parades. The duck boats are an essential part of Boston celebrations and run on biodiesel blends all year.

For the latest issue of *Biodiesel Magazine* click here.

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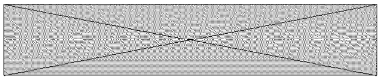
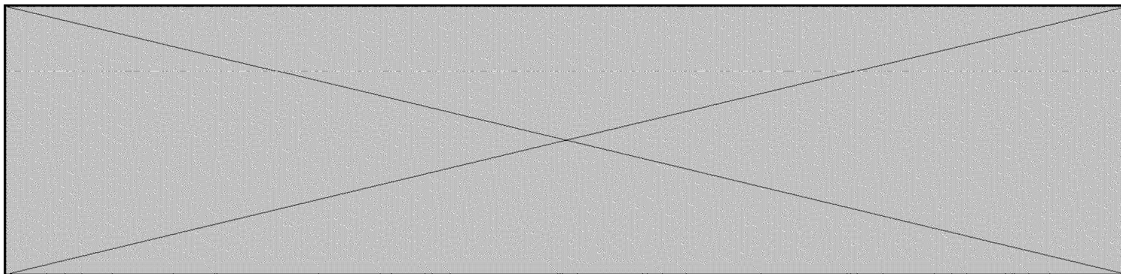


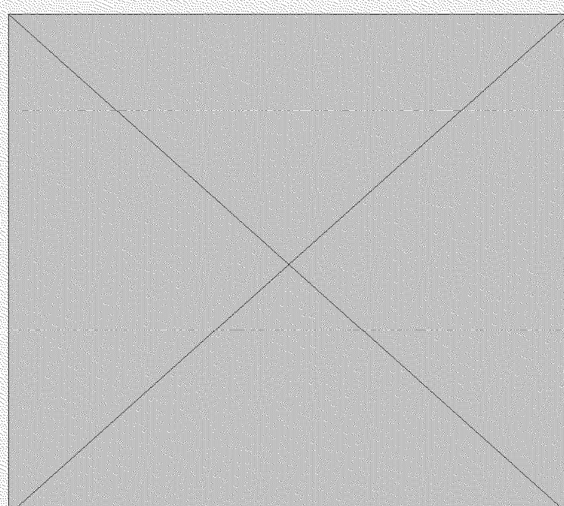
To: Korotney, David[korotney.david@epa.gov]
From: Dec. Biodiesel Bulletin
Sent: Mon 1/5/2015 2:47:24 PM
Subject: High Performance this Winter with Biodiesel

View Web Version of This Message



January 5, 2015

With Current Low Oil Prices, Long-Term Solutions Still Necessary



According to a recent Reuters article, the Organization of

Petroleum Exporting Countries (who account for a third of global oil output) decided this fall to block cuts in production in the member countries. Their effort to maintain output despite oversupply has sent crude oil prices plunging to a four-year low.

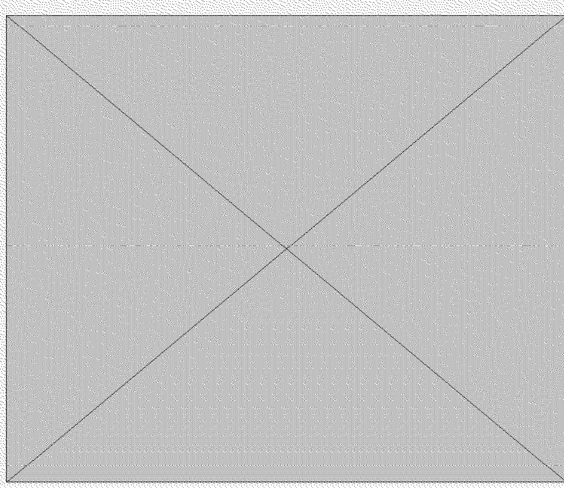
According to the article, oil producing countries in the Gulf could withstand a battle over market share and lower prices in the short-term. A price war would also make some future US oil projects uncompetitive due to higher production costs, easing pressure on OPEC in the long term.

"Why would Saudi cut production in the current environment? Why would they want to support Iran, Russia or U.S. shale producers? So they must have decided: let the market establish the price. Once the market goes to a new equilibrium, prices will go higher," said Dr. Gary Ross, chief executive of PIRA Energy Group.

In the piece, Olivier Jakob from Petromatrix Consultancy added, "We interpret this as Saudi Arabia selling the idea that oil prices in the short term need to go lower, with a floor set at $60 per barrel, in order to have more stability in years ahead at $80 plus. In other words, it should be in the interest of OPEC to live with lower prices for a little while in order to slow down [shale oil] development projects in the United States."

From this article and many others, it is easy to see petroleum does not operate in a free market system. Instability of oil prices is one of the most important reasons the US needs to continue developing more diverse, renewable, cleaner burning fuel options like biodiesel.

Biodiesel Tax Incentive Reinstated for 2014



The Senate passed the tax extenders

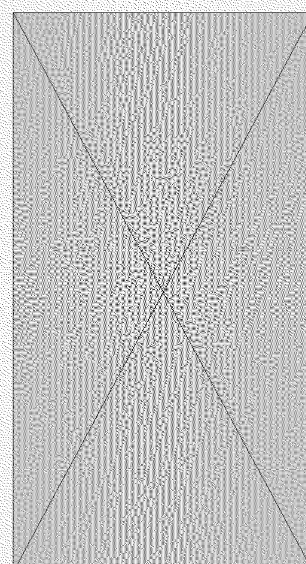
package December 16 with resounding support. The biodiesel tax incentive was among nearly 50 tax breaks included. President Obama signed the tax extenders bill into law, reinstating the biodiesel tax incentive for 2014. Though the National Biodiesel Board strongly pushed for a longer-term package to cover both 2014 and 2015, this is a victory for the biodiesel industry. The one-year, retroactive tax credit should prove beneficial in an otherwise difficult year for the industry.

The uncertainty surrounding the tax credit was challenging for the biodiesel industry as companies tried to plan for the future. Dysfunction in Congress forced widely supported bills, such as the tax extenders, to be crammed into messy year-end deal making.

Nonetheless, NBB continues to advocate aggressively for a forward-looking, multi-year tax package that provides more stability and certainty. NBB will continue to call its members and industry supporters to unite advocacy efforts when Congress convenes in the New Year.

The passing of the biodiesel tax incentive shows how crucial the industry's grassroots advocacy efforts are when getting Congress to act on important legislation. The resounding legislative support for biodiesel is a testament to the strength of the diverse yet united industry supported by bipartisan lawmakers across the country. Due to the tireless support from industry stakeholders, biodiesel is poised for continued growth and success in the New Year.

Biodiesel Magazine Highlights Climate Change Inconsistency



In case you missed it, Biodiesel Magazine posted an excellent analysis of the Obama Administration's handling of the Renewable Fuel Standard volumes. In a post titled, "The White House Climate Change Paradox," Ron Kotrba, Editor, highlighted the aggressive push the Administration has made on some climate change issues and the weak, delayed approach it has taken on establishing RFS volumes.

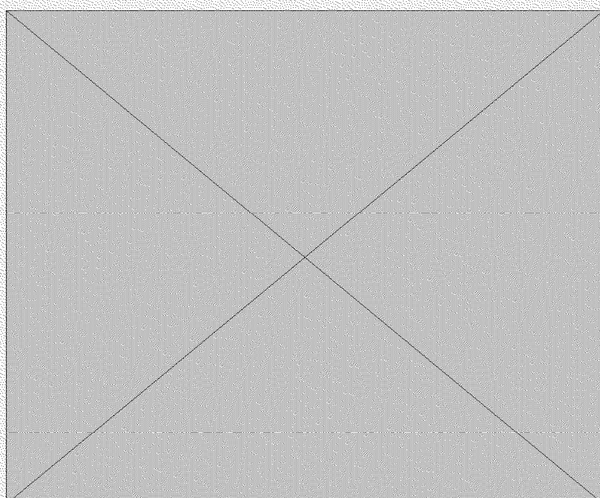
In the article Kotrba cited the White House's recent recognition of the Blue Lake Rancheria Tribe of California as one of 16 Climate Action Champions for their use of biodiesel, even though the RFS decision-making process left the biodiesel industry in disarray.

"The incongruity of the situation is baffling," Kotrba wrote. "If the White House were serious about climate change and its recognition of biodiesel as a way to combat it, then it would finalize the RFS rule immediately with a significant increase in the biodiesel mandate and stop succumbing to the heavy-handed, deep-pocketed lobbying pressures of Big Oil—the industry that produces the fuels from which the White House is trying to mitigate emissions."

"This industry has shown time after time that it can exceed any production challenge put to it. President Obama, let biodiesel do what it does best while accomplishing important items on your presidential agenda [like significantly reducing noxious and greenhouse gas emissions, creating American jobs, reducing dependence of fossil fuels and foreign oil, and building out the green economy]."

Kotrba's complete post can be found online.

National Biodiesel Conference & Expo Just Weeks Away



Join us January 19-22 for this one-of-a-kind conference, specifically designed to gather biodiesel decision makers from throughout the United States and the world in one place and for one purpose. It simply can't be missed.

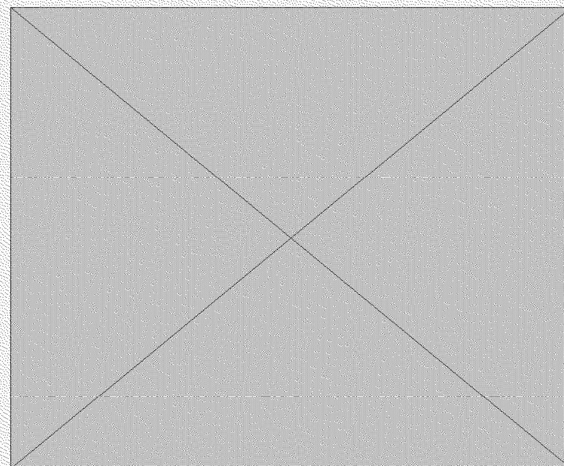
This year it's in Fort Worth. With amazing restaurants of every flavor and several hotels in walking distance, the venue is perfectly positioned for participants to host key clients, engage new contacts and interact with biodiesel leaders.

Participants will experience the depth and expertise of the biodiesel industry and trade associations. Features include political leaders, industry experts, influential CEOs, NBB leadership, and insightful and relevant keynote speakers. Dr. Valerie Patrick, Founder and President of Fulcrum Connection LLC is just one of the many significant speakers to address the National Biodiesel Conference & Expo.

Some Texas natives will also have the floor. Texas is home to some of the longest-serving, most ambitious biodiesel champions around. Come hear from biodiesel fleet managers as they share their experience in implementing biodiesel. A full breakout of speakers and session can be found on the conference website.

There is no question this is the biodiesel event of the year. Sign up to seize upon the opportunities that it offers.

Biodiesel Blends: High Performance in Low Temperatures



High quality biodiesel blends can be used successfully year-round, even in the coldest climates. Like regular diesel fuels, biodiesel can gel at very low temperatures. But, with good fuel management and fuel that consistently meets the ASTM specifications, B20 users can count on a trouble-free winter.

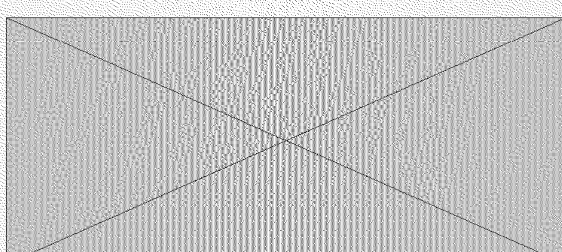
If you're a biodiesel user -- whether it's in your own vehicle or an entire fleet -- rest assured that biodiesel blends will perform regardless of the temperature. Being prepared, as with any preventative vehicle maintenance, is the best defense. So, be sure to develop a cold weather management plan well before cold weather sets in.

And follow these simple steps to avoid gelling and ensure success all winter:

- Use high-quality fuel that meets the ASTM spec purchased from a reputable supplier.
- Be sure to discuss fuel options with your supplier to ensure that both the diesel fuel and biodiesel are blended only after meeting their respective specifications.
- Develop a good fuel management plan, in partnership with your supplier, that includes additization (just like for regular diesel) to improve cold weather operability.
- Test fuel periodically to verify its cold weather properties.
- Make sure you understand your fuel's cold flow characteristics and have appropriate fuel handling and storage plans in place.
- Remain diligent on your tank maintenance program to help ensure fuel cleanliness.

For more information check out these hot tips for using biodiesel in cold weather.

Biodiesel Science Supported on Giving Tuesday



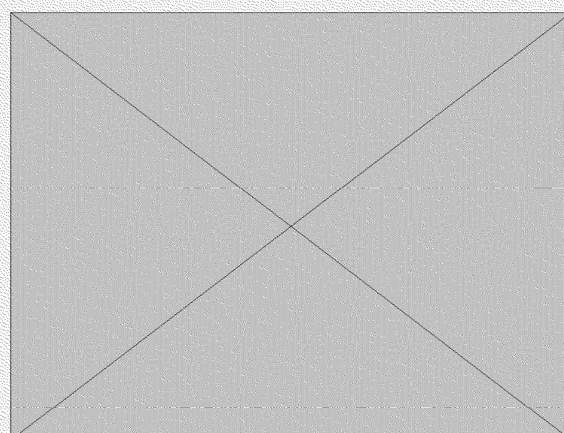
Thanksgiving. Black Friday. Cyber Monday. The two well-known consumer shopping holidays that follow Thanksgiving are now being accompanied by a day of charitable giving. Known as, Giving Tuesday, supporters of the biodiesel industry were encouraged to participate by supporting biodiesel science through the National Biodiesel Foundation.

"Despite the clear benefits of biodiesel, its continued use is threatened. Biofuel opponents are backed by deep pockets and unsubstantiated messages," stated NBF Executive Director Tom Verry. "We need to work together to assist scientists in providing irrefutable data to show that biodiesel is improving the air we breathe, reducing our dependence on foreign oil, and safeguarding our environment."

The National Biodiesel Foundation is a non-profit organization that works closely with the biodiesel the National Biodiesel Board for the advancement of biodiesel. Through outreach, education, research, and demonstration activities, the foundation works to address national issues affecting us all. Clean air, economic development for rural communities, and enhanced national security through energy independence are all issues the two organizations address.

Giving Tuesday officially began in 2012 and was designed as a day for charities, families, businesses, community centers, and students around the world to come together for one common purpose: to celebrate generosity.

Advanced Energy Employment is on the Rise



Employment opportunities in the advanced energy sector are expected to grow in 2015. This is according to a series of surveys performed by the Advanced Energy Economy Institute. In a recent survey of job growth in Iowa; biodiesel, ethanol, wind, and energy efficiency are leading advanced energy sectors. And advanced energy employment overall is expected to rise 6 percent in the coming year. The Advanced Energy Economy Institute says those industries employ more than 22,000 people.

"In states from coast to coast and in between, the advanced energy industry is substantial and growing," said Graham Richard, CEO of AEE and the AEE Institute. "This first-ever survey of advanced energy firms in Iowa shows that energy efficiency, biofuels, wind power, and other advanced businesses are creating jobs and contributing to the Iowa economy."

A similar survey performed in California shows in a survey of more than 2,000 companies, advanced energy employment in the state is currently at 431,800, an increase of 5% over last year. Half of all firms surveyed are expecting to add employees during the coming year, for more than 70,000 new jobs – a 17% projected increase.

Given the projected growth of advanced energy employment, 2015 is shaping up to be a positive year for domestic jobs in the industry.

Prepared by BW Research Partnership, a leading workforce and economic development research firm, the Iowa Advanced Energy Employment Survey report is available at http://info.aee.net/ia-jobs-report-14. The AEE Institute published a similar report on California's advanced energy industry, California Advanced Energy Employment Survey is available at http://info.aee.net/ca-jobs-report-14.

For the latest issue of *Biodiesel Magazine* click here.

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To: Korotney, David[korotney.david@epa.gov]
From: Nov. Biodiesel Bulletin
Sent: Mon 11/3/2014 9:40:30 PM
Subject: Final Advocacy Push for Biodiesel Incentive in Lame Duck

View Web Version of This Message

November 3, 2014

Final Advocacy Push for Biodiesel Incentive in Lame Duck

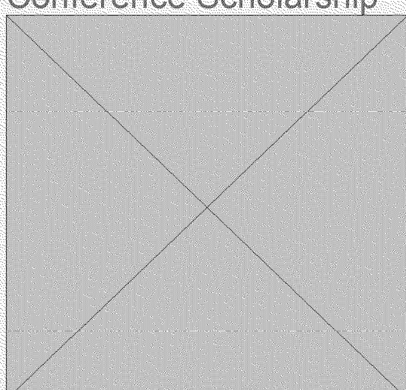
NBB has been proactively advocating for the biodiesel tax credit since before it expired at the beginning of the year. With Congress bogged down in partisan gridlock, there have had few real legislative opportunities to win its reinstatement. That should change when Congress returns to Washington for a "lame duck" session shortly after the Nov. 4 elections. It will be incredibly important for all biodiesel supporters to join a united push at that time to win the credit back.

Congress is scheduled to return to work the week of Nov. 10 with plenty of unfinished business. Leaders in both the House and Senate have called for passing a "tax extenders" package to reinstate dozens of tax incentives that have expired or are soon to expire. In a bipartisan vote in April, the Senate Finance Committee passed a package to extend more than 40 tax incentives, including the biodiesel incentive. The bill would reinstate the $1 per gallon tax credit for two years – retroactively for 2014 and through the end of 2015.

This package will likely be used as a starting point if and when Congress takes up tax extenders in the lame duck session, but there will be significant opposition. After the election, NBB will be encouraging stakeholders to call their members of Congress and urge them to pass tax extenders legislation that includes biodiesel as quickly as possible.

For talking points and other information, please visit NBB's Fueling Action advocacy website or contact members of Congress through the Senate switchboard at (202) 224-3121. House representatives can be contacted through the switchboard at (202) 225-3121. Stay tuned for further updates.

Students Invited to Learn Beyond the Classroom with Biodiesel Conference Scholarship



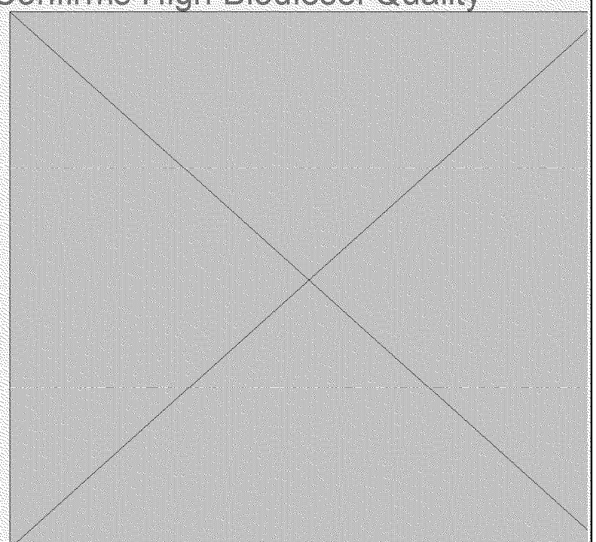
The November 24 deadline is fast approaching for students interested in applying to attend the National Biodiesel Conference & Expo, Jan. 19 – 22 in Fort Worth, Texas. Hosted by the National Biodiesel Board, students are invited to apply for a travel scholarship as well as to present their research. This opportunity comes through the Next Generation Scientists for Biodiesel, an NBB program that aims to educate and collaborate with young scientists.

At this premier biodiesel event, students can attend conference sessions and network with top scientists in the field. They may also apply to present a poster on their biodiesel-related research or outreach during a poster session. Some will be invited to present during a breakout session.

“This opportunity allowed me to make contacts with NGSB members and biodiesel professionals that I would never have made otherwise,” said Colin Stewart, a student at the University of Colorado – Boulder who attended the event in 2014. “The conference opened my eyes to the biodiesel industry, its future, and how I can play a role in it.

Last year, 16 students from nine universities received scholarships to attend the conference. The scholarships are funded by state soybean organizations and the United Soybean Board through the soybean checkoff. Visit the NGSB scholarship program page to learn more or apply.

Minnesota Retail Fuel Testing Confirms High Biodiesel Quality



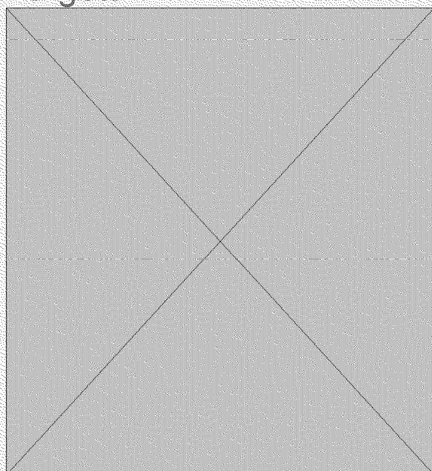
Recent field testing from more than 30 random retail stations scattered throughout the state of Minnesota showed biodiesel blends greatly exceeding important fuel quality parameters set by the industry. This real-world data showcases the recent trend in increasing biodiesel quality from coast-to-coast.

Minnesota just completed their first summer of a successful run with 10 percent biodiesel (B10) in diesel fuel statewide. Industry experts say the quality of biodiesel in the field is a result of the increasing awareness of quality control measures from production all the way down to the retail level.

“Biodiesel fuel quality is at an all-time high across the industry,” said Scott Fenwick, National Biodiesel Board technical director. “The recent results from the Minnesota testing are just another example of why consumers can feel confident about filling up with biodiesel blends.”

A key indicator of fuel quality in biodiesel blends is oxidative stability, which is a measure of degradation caused by exposure to oxygen. Blind samples were taken in September from retailers across three regions in Minnesota — north, metro, and south. All of the samples taken surpassed the minimum required specification for oxidative stability and the majority of the samples were three to four times better than the minimum. Fenwick said, "Higher values indicate even better stability, and this new real-world data is important as some original equipment manufacturers (OEMs) look for more assurances that biodiesel blends are meeting specifications at the pump."

Lawmakers Concerned Biofuel Cuts Would Undermine Climate Targets



In early October, two leading Democrats, Sen. Barbara Boxer of California and Sen. Ed Markey of Massachusetts, wrote a letter to the White House asking President Obama to continue growing advanced biofuels volumes under the Renewable Fuels Standard (RFS), including biodiesel. In the letter, the lawmakers expressed their concern over the effects of the proposed cuts in biofuel volumes on carbon pollution, citing a study that found the proposed targets would increase net carbon pollution by 28.2 million metric tons in 2014.

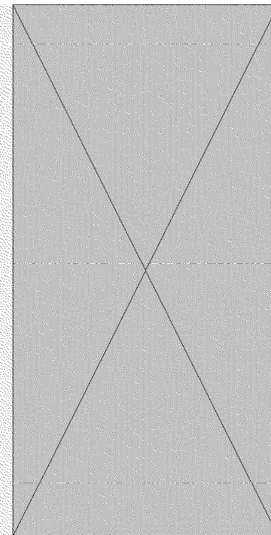
The senators argued maintaining the proposed cuts would undermine the Administration's efforts to build a renewable fuels program, a significant component to reducing carbon emissions in the United States. Furthermore, they pointed out slashing RFS volumes would have far-reaching consequences combating climate change, a priority issue for President Obama.

This letter is particularly significant because Boxer is chairman of the Senate Environment and Public Works Committee, which oversees the EPA, and Markey is well-known as a leader on energy and environment issues in Congress. Their letter sends a clear message from leading senators to the White House that increasing biodiesel volumes under the RFS will help their efforts to reduce harmful carbon emissions. We encourage all biodiesel advocates to thank the senators for supporting biodiesel by calling Sen. Boxer's office at (202) 224-3553 and Sen. Markey's office at (202) 224-2742.

Biodiesel Teen Cassandra Lin Honored with Nickelodeon HALO Award

Westerly, R.I., teenager Cassandra Lin, founder of Turning Grease into Fuel (TGIF), was announced as a Nickelodeon HALO (Helping and Leading Others) Award honoree Oct. 12 in New York City. TGIF collects local donations of used cooking oil to heat the homes of families in need. Nick Cannon, the host, creator, and executive producer of the HALO Awards, surprised Lin with a check for $10,000 for her college education.

The Nickelodeon HALO Awards is an hour-long concert special celebrating extraordinary

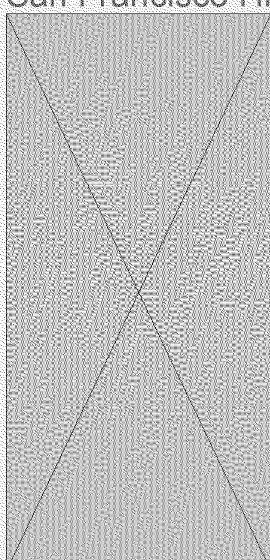


youth who are involved in their communities. The star-studded musical event is held at New York's Pier 36 and premieres Sunday, Nov. 30 at 7 p.m. Eastern time. The event will air and stream live across Nickelodeon networks.

"We're taking over New York City with the hottest musical performers and the most awe-inspiring kids for one huge, fun night at this year's Nickelodeon HALO Awards," said Cannon. "The HALO Awards embodies the altruistic spirit of the holidays with its positive message, and I can't wait to celebrate the terrific work of these young heroes."

The Nickelodeon HALO Awards show is an annual event that recognizes kids doing extraordinary things in their communities by "Helping and Leading Others." In addition to being awarded a grant for their organization, and scholarship funds, each honoree is given this once-in-a-lifetime opportunity to meet celebrities that share their same passion for service. For more information, visit www.nick.com/halo.

San Francisco Highlights Biodiesel Success Stories



When it comes to biodiesel, San Francisco hits a homerun. The area's many biodiesel patrons make it one of the top cities in the nation for biodiesel use. Some of their success stories took center stage in October, during the Bay Area Biodiesel Summit.

Marty Mellera, Sustainability Manager for the San Francisco Municipal Transportation Agency, spoke about their use of B20 in the agency's 500 hybrid-diesel buses. He noted that their transition to B20 has proven to be highly effective at reducing carbon emissions with many years of data supporting the fact.

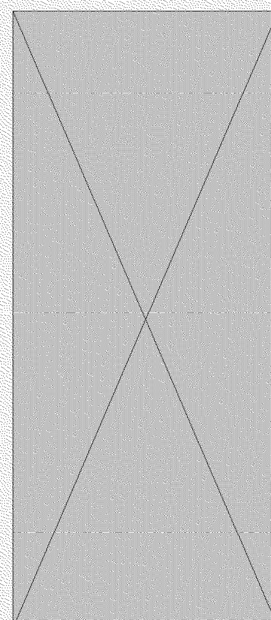
The City of San Francisco also uses B20. Robert Hayden, Clean Transportation program manager, said, "Forty percent of our greenhouse gas emissions are generated by transportation. The more we can reduce emissions from diesel use - that's the biggest bang for our buck. Biodiesel is a major priority for the City of San Francisco."

The city displaces 1 million gallons of diesel every year with biodiesel.

Those attending included regulators, fuel distributors, and fleet managers in Northern California. The program also included a presentation by director of sustainability for the National Biodiesel Board, Don Scott. Keith Kerman of the City of New York, a Biodiesel Ambassador, served as the keynote lunch speaker.

NBB assisted the San Francisco Clean Cities chapter with the planning and hosting of the event.

North Carolina Lawyer Powered by Biodiesel



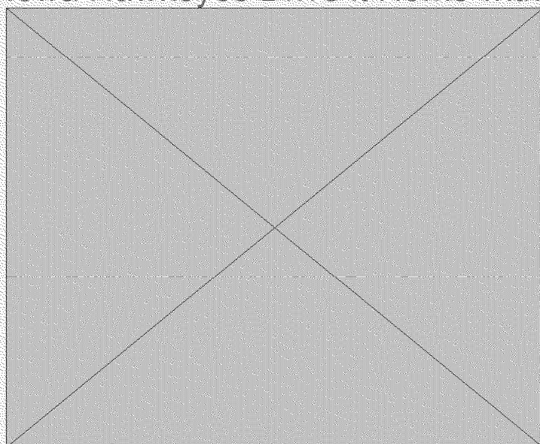
Asheville attorney, Lakota Denton has been powering his vehicle with biodiesel from Blue Ridge Biofuels for the past eight years. He logs thousands of miles across North Carolina every month as an attorney for Minick Law PC.

Today Denton drives a 2010 Volkswagen Jetta SportWagen TDI. Previously he owned a Dodge Ram Cummins Turbo Diesel. He uses biodiesel in an effort to support local business, reduce emissions, and utilize an alternative energy source to Big Oil. He particularly appreciates how Blue Ridge Biofuels partners with local businesses to use their recycled oil, as it bolsters community involvement and a sense of ownership.

Denton says his experience has been very positive with biodiesel over the past eight years, with no negative effect on fuel economy. He adds that his vehicle runs great, with no issues, and no needed maintenance as a result of using biodiesel.

Blue Ridge Biofuels is a community-based biodiesel manufacturer committed to building the local alternative energy economy by producing affordable clean fuels for the community of Western North Carolina through sustainable business practices that offer opportunities for community development, local jobs, and biofuel education.

Iowa Hawkeyes Drive it Home with Biodiesel



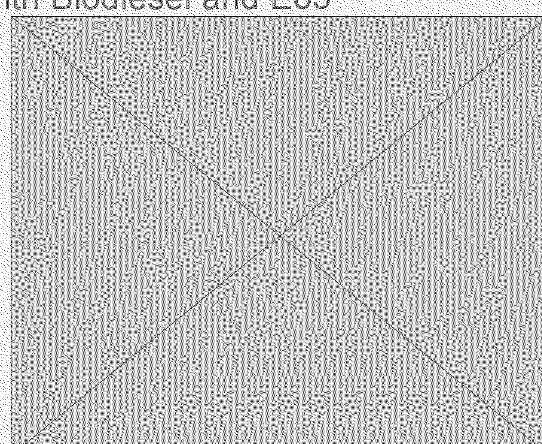
The Iowa Soybean Association has partnered with the University of Iowa to transport the Hawkeye football team to the field in a biodiesel-fueled bus. The bus runs on a five percent blend of biodiesel (B5), a blend created from Iowa-grown soybeans.

“We have great respect for the role farmers play in feeding and fueling our state and the Hawkeye nation,” said Gary Barta, University of Iowa athletics director. “We are proud to partner with the Iowa Soybean Association; they are a great addition to Hawkeye game day activities.”

With 13 processing plants supporting more than 7,000 jobs, Iowa is the leading biodiesel-producing state.

“Biodiesel is a win for the state’s economy and environment,” said Tom Cleghorn, Iowa Soybean Association president and farmer. “Teaming up with the Hawkeyes by using America’s first advanced biofuel is a victory for all Iowans."

Ford Hauls Bad Guys Away with Biodiesel and E85



Ford is doing its part to clean up the streets and the environment according to this recent Domestic Fuel article. The automaker has introduced its new 2015 Ford Transit Prisoner Transport Vehicle (Transit PTV). The Transit PTV is capable of hauling up to 12 prisoners at a time and can run on biodiesel or E85 ethanol.

“Transit PTV is the latest example of Ford’s deep commitment to helping provide law enforcement agencies with capable vehicles,” said Jonathan Honeycutt, Ford police marketing manager. “This concept proves Transit is upfit-ready and designed to the Built Ford Tough standards.”

TransitPTV is available in three heights, two wheelbases, three lengths, and four body styles. It provides a range of powertrain choices and engine options. Two gasoline engine options include an E85-capable 3.7-liter V6 and a 3.5-liter EcoBoost®. The diesel engine is a 3.2-liter Power Stroke®, which is able to run on B20 biodiesel.

Ford is known for its police vehicles. The Transit PTV joins Ford’s Police Interceptor sedan and utility vehicle, Special Service Police Sedan, F-150 Special Service Vehicle and Expedition Special Service Vehicle.

The only people who won’t like the Transit PTV will be the prisoners it hauls away.

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Jefferson City, MO 65110-4898

To: Korotney, David[korotney.david@epa.gov]
From: Lindsay Fitzgerald
Sent: Tue 5/5/2015 3:35:54 PM
Subject: RE: Import and Export data

Agreed on EMTS.

Let me see what I can dig up via a comparison between Census and ITC data.

Talk soon!

Lindsay

From: Korotney, David [mailto:korotney.david@epa.gov]
Sent: Tuesday, May 05, 2015 8:24 AM
To: Lindsay Fitzgerald
Subject: RE: Import and Export data

Thanks.

EMTS isn't a very good source for data on exports. Prior to last fall, exports were only recorded when compliance demonstrations were due (now they are required monthly, I believe), and moreover are mixed with RIN retirements for parties complying with the % standards. You can dig the export data out of EMTS, but it's not typically available on the public web site.

We have been relying on EIA export data, which in turn comes from the International Trade Commission. I don't know how Census Bureau data compares to ITC data.

David

From: Lindsay Fitzgerald [mailto:lfitzgerald@biodiesel.org]
Sent: Monday, May 04, 2015 4:49 PM
To: Korotney, David
Subject: Import and Export data

Hey Dave-

Thanks for attending the NBB meeting two weeks ago.

As you know, last week we provided a technical update to Paul M, Dallas and Zoltan. At the end of that meeting we recapped a bit and talked about imports and exports. I wanted to make sure that you had the data that we shared.

Below is Census data for exports of biodiesel (to Canada) in dollars and gallons. I am still waiting on an update for any exports we may have to other countries.

In addition, attached, is a break out of imports from the same years. I believe that you already have this document, it was shared during the larger NBB/EPA meeting.

I am currently working on a comparison of this data and data available through EMTS. I'll share that with you when I am finished.

If you have any thoughts on that comparison or have any questions about this data, or if you need more data, please let me know.

Thanks,

Lindsay

610-639-0048

U.S. Exports to Canada under HTS 3826.00.0000
BIODIESEL AND MIXTURES THEREOF, NOT CONTAINING OR CONTAINING LESS THAN 70% BY WEIGHT OF PETROLEUM OILS OR OILS OBTAINED FROM BITUMINOUS MINERALS

YTD = January-February

	2012	**2013**	**2014**	**2014 YTD**	**2015 YTD**
FAS Dollars	326,1[illegible]	[illegible]	[illegible]	[illegible]	[illegible]55,059
Gallons	68,881,132	80,98[illegible]	[illegible]	[illegible]	[illegible]83,867
$s / gallon	4.73		3.86	3.78	[illegible].38 2.84

Source: USITC Dataweb, Domestic exports. Data converted from kilograms to gallons using factor of 7.35 gallons per pound.

To: Grundler, Christopher[grundler.christopher@epa.gov]; Hengst, Benjamin[Hengst.Benjamin@epa.gov]
Cc: Argyropoulos, Paul[Argyropoulos.Paul@epa.gov]; Machiele, Paul[machiele.paul@epa.gov]; Burkholder, Dallas[burkholder.dallas@epa.gov]; Korotney, David[korotney.david@epa.gov]; EthanolRFA[ethanolrfa@aol.com]
From: Geoff Cooper
Sent: Fri 4/24/2015 8:24:01 PM
Subject: Follow-up on D3 RINs/CWC and Meeting Request
Introduction to Cellulosic Waiver Credit Issue.pptx

Hello Chris,

First of all, thank you for agreeing to meet with our group on the D3 RIN/cellulosic waiver credit (CWC) issue (and a special thanks to Ben for his responsiveness). As explained below, timing is critical and we believe the meeting should occur soon rather than waiting a few weeks.

As you know, many stakeholders have raised concerns about the availability of cellulosic waiver credits (CWCs) potentially allowing obligated parties to avoid having to acquire physical gallons of cellulosic biofuel (CBF) and/or D3 RINs. While, as EPA previously noted in its November 25, 2014 letter to the Coalition for Renewable Natural Gas, it may be true that "some CBF producers have been able to sell their D3 RINs," we believe that the difficulties faced by CBF producers today are primarily attributable to the fact that obligated parties may purchase a CWC in lieu of a D3 RIN. Some CBF producers continue to report extreme difficulties in finding willing buyers for both CBF and D3 RINs. We don't believe that simply "finalizing the applicable standards on the schedule proscribed in the statute should help provide for additional market certainty and more efficient and proper market functioning," as suggested in the same EPA letter. It is a widely held belief across the CBF sector that present administration of the CWC program is undermining the certainty required to raise financing for cellulosic biofuels; and while publishing RVOs may somewhat reduce the short-term uncertainty, it will not fully remedy the long-term problem described herein. We have attached some slides outlining the problem and how it fits within the statutory and regulatory RFS2 program. In short, we believe the program should be implemented to ensure that CWCs are utilized as a safety net, and in our view this is consistent with the statute and congressional intent.

In light of this, we encourage EPA to acknowledge in a general sense the CWC/D3 RIN problem that has been raised by stakeholders in the upcoming notice of proposed rulemaking (NPRM) preamble for multi-year RVOs, and solicit comment and potential solutions from the public. We think that a modest remedy involving the issuance of guidance may suffice to address the issue, and the preamble language could acknowledge guidance as a pathway to a solution. It is just such a modest remedy we want to discuss with your staff as soon as possible. Given the June 1, 2015 timing deadline for the NPRM, we would greatly appreciate the opportunity to meet with you in the next few weeks because this issue is relevant to the NPRM preamble language. The meeting would be an advantageous forum to discuss potential modest remedies to this issue that might not require rule changes.

I am looking forward to hearing from you soon and to getting a meeting date on the calendar in the upcoming weeks.

Regards,

Geoff

Geoff Cooper

Senior Vice President

Renewable Fuels Association

16024 Manchester Rd. Suite 200

Ellisville, MO 63011

O: 636.594.2284

C: 636.399.4928

To: Argyropoulos, Paul[Argyropoulos.Paul@epa.gov]; EthanolRFA[ethanolrfa@aol.com]
Cc: Grundler, Christopher[grundler.christopher@epa.gov]; Korotney, David[korotney.david@epa.gov]; Machiele, Paul[machiele.paul@epa.gov]; Hengst, Benjamin[Hengst.Benjamin@epa.gov]; Burkholder, Dallas[burkholder.dallas@epa.gov]
From: Geoff Cooper
Sent: Thur 4/9/2015 9:58:09 PM
Subject: RE: Response: Meeting Request - Cellulosic Waiver Credit/D3 RIN

Paul,

We were very disappointed to hear that EPA is too busy to meet with our group for an hour on an issue of such high importance. The meeting request came from three of the four companies that are currently—or will be imminently—producing cellulosic ethanol and generating D3 RINs. Thus, ensuring the integrity and functionality of the D3 RIN market and CWC mechanism is not simply an academic pursuit for these folks; rather, it is an urgent commercial matter with real and immediate financial implications.

While the recent publication of the CWC guidance document and the direct final rule on 2014-2015 CWC prices is a helpful first step, it has done little or nothing to enhance value and liquidity in the D3 RIN market. We agree with the CWC guidance document's logic regarding the theoretical value proposition for D3 RINs. However, D3 RINs are not commanding their conceptual values in the marketplace. In fact, one of our member companies that is actually generating D3 RINs reports that bids received for D3 RINs in recent weeks have been just marginally (1-5 cents) higher than open market prices for D6 RINs. I understand that some of this information has been shared with EPA staff by the company's marketer.

Our members continue to believe that publication of the CWC prices is just one small piece of a larger solution needed to address D3 market inefficiencies. It is our belief that the solution must also include 1) publication of the 2014-2016 RVOs, and 2) addressing the fact that obligated parties can simply purchase a CWC (and D5 RIN) in lieu of purchasing a gallon of cellulosic biofuel with the D3 RIN (or a detached D3 RIN). We understand and appreciate that EPA is working tirelessly to get the RVOs out, but we continue to believe problems with the CWC program must be dealt with at the same time.

To that end, our member companies have asked that we again request a meeting with key EPA staff to discuss these issues. Continuing a dialog with EPA on this matter is a top priority for these companies, and our thinking on the issue has significantly progressed since our last meeting. We would also like to learn more about the ideas and suggestions EPA has been evaluating, as referenced in your email.

Several companies have suggested that they plan to request individual meetings with EPA on this subject soon; but, in the interest of keeping people on the same page and being most efficient with (and respectful of) everyone's time, I have suggested that we try to schedule just one meeting involving all of the interested parties. Key representatives from Abengoa, DuPont, and Quad County Corn Processors will all be in D.C. on April 28. Please let us know if key EPA staff are available to meet with us late morning or during the afternoon. If there are other dates in April that work better please let us know.

Thank you.

Geoff

Geoff Cooper

Senior Vice President

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C: 636.399.4928

From: Argyropoulos, Paul [mailto:Argyropoulos.Paul@epa.gov]
Sent: Wednesday, April 01, 2015 7:44 AM
To: Geoff Cooper; EthanolRFA
Cc: Grundler, Christopher; Korotney, David; Machiele, Paul; Hengst, Benjamin; Burkholder, Dallas
Subject: Response: Meeting Request - Cellulosic Waiver Credit/D3 RIN

Hello Geoff,

Chris Grundler is on travel and has requested I reply in his stead.

First, thank you for your email requesting another meeting with your team and the interested company representatives on the subject of D3 RIN market challenges and cellulosic waiver credits.

As you noted and as evidenced by last week's announcement, our team has presented several actions intended to provide more timely information to the market specifically designed to allow for more expeditious publication of the CWC prices and to provide a greater understanding and certainty pertaining to the methods and data sources used to calculate the prices. Further, we developed and issued a guidance to provide a greater understanding of how compliance may be achieved with the cellulosic provisions under the RFS program. Interested parties have been very supportive and appreciative of these efforts to date. We have also evaluated ideas and suggestions on other potential actions. However, it is expected any other actions would likely require regulatory changes. Such steps need to be fully evaluated and worked through a regulatory process. These processes require significant resources and as you know, the Administrator has indicated our intention to take action on the 2014, 2015 and 2016 RFS annual rules and to get the standard setting process back on schedule. OTAQ and our leadership are fully engaged and focused on this critical effort. Without standards in place, the market has no basis from which to operate so it is job 1 to complete this work.

While we appreciate your offer to meet, we aren't able to accommodate a meeting in the timeframe which you requested. We'll need to defer setting a specific date for this meeting until a later date. Be assured though we continue to monitor the market circumstances and will evaluate the need for and opportunity for any potential actions in the future.

Best Regards,

Paul Argyropoulos

Senior Policy Advisor

US EPA

Office of Transportation and Air Quality

Phone: 202-564-1123

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Email: argyropoulos.paul@epa.gov

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From: Geoff Cooper [mailto:GCooper@ethanolrfa.org]
Sent: Thursday, March 26, 2015 11:28 AM
To: Grundler, Christopher
Cc: EthanolRFA; Machiele, Paul; Korotney, David; Hengst, Benjamin
Subject: RE: Cellulosic Waiver Credit/D3 RIN Follow-Up

Chris,

Good morning. On behalf of Abengoa, DuPont, and Quad County Corn Processors, we'd like to request another meeting with you and key staff on the subject of D3 RIN market challenges and cellulosic waiver credits. Our group has done quite a bit of additional thinking on the issue, and in light of yesterday's EPA rulemaking notice on CWCs, it seems that the time is right to sit down again with your group. The most convenient dates for our folks are April 7 (pm), April 8 (am), or April 9 (late pm). Please let us know if any of those dates/times might work for you.

Best regards,

Geoff

Geoff Cooper

Senior Vice President

Renewable Fuels Association

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Ellisville, MO 63011

O: 636.594.2284

C: 636.399.4928

To: GCooper@ethanolrfa.org[GCooper@ethanolrfa.org]; Bob Dineen[ethanolrfa@aol.com]
Cc: Grundler, Christopher[grundler.christopher@epa.gov]; Korotney, David[korotney.david@epa.gov]; Machiele, Paul[machiele.paul@epa.gov]; Hengst, Benjamin[Hengst.Benjamin@epa.gov]; Burkholder, Dallas[burkholder.dallas@epa.gov]
From: Argyropoulos, Paul
Sent: Wed 4/1/2015 12:44:09 PM
Subject: Response: Meeting Request - Cellulosic Waiver Credit/D3 RIN

Hello Geoff,

Chris Grundler is on travel and has requested I reply in his stead.

First, thank you for your email requesting another meeting with your team and the interested company representatives on the subject of D3 RIN market challenges and cellulosic waiver credits.

As you noted and as evidenced by last week's announcement, our team has presented several actions intended to provide more timely information to the market specifically designed to allow for more expeditious publication of the CWC prices and to provide a greater understanding and certainty pertaining to the methods and data sources used to calculate the prices. Further, we developed and issued a guidance to provide a greater understanding of how compliance may be achieved with the cellulosic provisions under the RFS program. Interested parties have been very supportive and appreciative of these efforts to date. We have also evaluated ideas and suggestions on other potential actions. However, it is expected any other actions would likely require regulatory changes. Such steps need to be fully evaluated and worked through a regulatory process. These processes require significant resources and as you know, the Administrator has indicated our intention to take action on the 2014, 2015 and 2016 RFS annual rules and to get the standard setting process back on schedule. OTAQ and our leadership are fully engaged and focused on this critical effort. Without standards in place, the market has no basis from which to operate so it is job 1 to complete this work.

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Best Regards,

Paul Argyropoulos

Senior Policy Advisor

US EPA

Office of Transportation and Air Quality

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From: Geoff Cooper [mailto:GCooper@ethanolrfa.org]
Sent: Thursday, March 26, 2015 11:28 AM
To: Grundler, Christopher
Cc: EthanolRFA; Machiele, Paul; Korotney, David; Hengst, Benjamin
Subject: RE: Cellulosic Waiver Credit/D3 RIN Follow-Up

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Best regards,

Geoff

Geoff Cooper

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To: Bunker, Byron[bunker.byron@epa.gov]; Grundler, Christopher[grundler.christopher@epa.gov]; Korotney, David[korotney.david@epa.gov]
Cc: Johnson Koch, LeAnn M. (Perkins Coie)[LeAnnJohnson@perkinscoie.com]; David Carroll, Hunt Refining Company[dcarroll@huntrefining.com]; H. Don Davis, Ergon[don.davis@ergon.com]; Ronald Hurst, Placid Refining[rhurst@petrohunt.com]; Warren Neufeld, Wyoming Refining[wneufeld@wyref.com]; James Ranspot, Alon USA Energy[James.Ranspot@ALONUSA.com]; Robert Redd, US Oil & Refining[RBR@usor.com]; Stephen Sherk, American Refining[ssherk@amref.com]
From: Foster, Mark H. (Perkins Coie)
Sent: Thur 3/26/2015 9:19:26 PM
Subject: Coalition Letter to OMB
2015.03.26 Small Refiners RFS Letter OMB.pdf

Dear Messrs. Bunker, Grundler, and Korotney,

The attached letter, written on behalf of a coalition of small refinery owners, has been sent to the Office of Information and Regulatory Affairs at the Office of Management and Budget. As explained in this letter, small refineries are suffering disproportionately under the current renewable fuel standard.

We would like to find time in the coming weeks to discuss with you this standard and possible solutions to the issues we have identified. Please inform me of your availability during the first two weeks in April, and I will set a meeting during which we can address these issues. If you have any other questions, do not hesitate to contact me.

Sincerely,

Mark Foster

Mark Harrison Foster, Jr. | **Perkins Coie** LLP

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March 26, 2015

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VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Mr. James Laity
Branch Chief
Office of Information and Regulatory Affairs
- Natural Resources & Environment Branch
Office of Management and Budget
725 17th Street, N.W.
Washington, DC 20503

Mr. Chad S. Whiteman
DOE Desk Officer
Office of Information and Regulatory Affairs
Office of Management and Budget
New Executive Office Building, Room 10102
725 17th Street, N.W.
Washington, DC 20503

Dear Messrs. Laity and Whiteman:

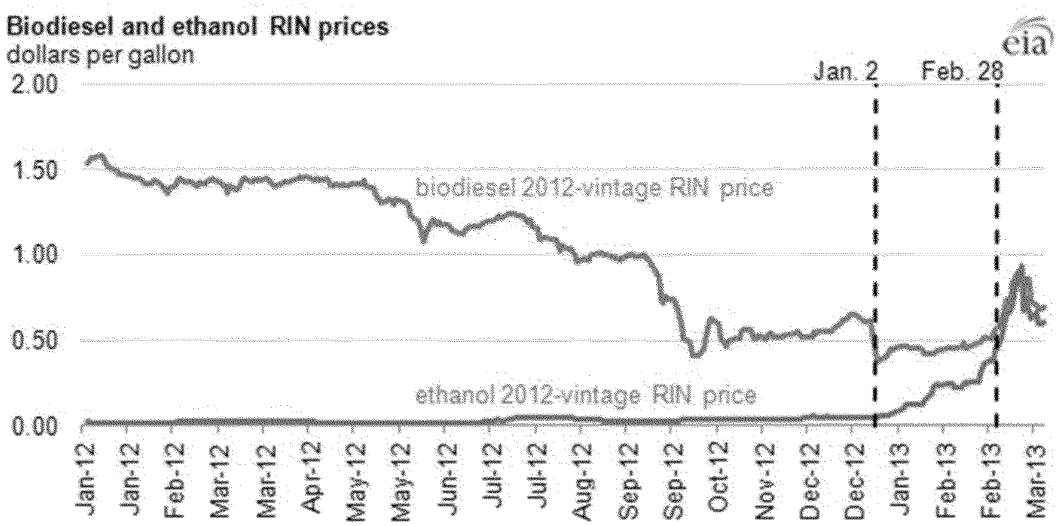
Thank you for meeting with Bob Neufeld and me on January 8, 2015, concerning the 2014 renewable fuel standard. This letter follows up on our meeting discussion.

Wyoming Refining Company owns a small refinery and is a member of a coalition of similarly situated small refinery owners, all of whom have approved this letter. The coalition was formed to try to persuade EPA, OMB, and Congress to fix a structural flaw in the RFS that is damaging small business and destroying competition in the refining sector. The RFS definition of "obligated party", which places the RFS compliance obligation on refineries, forces a wealth transfer from small refineries to unobligated blenders[1] and harms small refineries in at least three ways. First, small refineries' compliance costs are significantly higher than larger refineries that control the blending of their own product.[2] Second, small refineries must compete above the rack with integrated refiners and at the rack with unobligated blenders, both of whom are subsidized by RIN revenues. Third, it ensures that RIN prices will remain inflated since unobligated blenders may sell E10 in spite of higher Energy Independence and Security Act

[1] "Unobligated blender" refers to a party that is either a blender that does not refine or a refiner that blends more than its own production/obligation, generating excess RINs that it does not need for compliance.
[2] Merchant refineries that do not meet EPA's definition of "small refinery" are harmed in exactly the same way, but some (coastal refineries) have the ability to avoid RIN expenditures by exporting diesel and gasoline.

("EISA") and EPA volume mandates and reap windfall profits selling scarce RINs to small and merchant refineries.[3]

The compliance cost for small refineries drastically increased in 2013 when D6 (corn ethanol) RIN prices set a record high driven by market speculation over the final volume obligations that would be set and, ultimately, EPA's decision to set the ethanol volume at a level exceeding the ethanol "blendwall".



Source: U.S. Energy Information Administration, *What caused the run-up in ethanol RIN prices during early 2013?* (June 13, 2013), *available at* http://www.eia.gov/todayinenergy/detail.cfm?id=11671.

Since then, RIN prices have remained elevated, exceeding the highest cost of blending by more than an order of magnitude. RINs are now trading around 70 cents, compared to 2-5 cents for the first six years of the rule. Due to RFS2's structural flaw, this price increase disproportionately impacts small refineries because most do not blend a significant portion of the fuel they produce. Therefore, small refineries' compliance costs are exponentially higher than vertically integrated refineries that blend their own fuel and, in many instances, blend more than they need for compliance—generating excess RINs.

[3] Most small refineries are merchant refineries in that they do not control the blending of their products or own retail outlets. U.S. Dep't of Energy: Office of Policy and International Affairs, Small Refinery Exemption Study: An Investigation into Disproportionate Economic Hardship 23–24 (2011), available at http://www.epa.gov/otaq/fuels/renewablefuels/compliancehelp/small-refinery-exempt-study.pdf [hereinafter "DOE Study"].

Second, even those small refineries that can blend a significant portion of their own fuel must compete against unobligated blenders subsidized by windfall RIN revenues. Small refineries must match the rack price of RIN subsidized unobligated blenders, which is destroying refining margins for small refineries, particularly when compared to refiners that do not have to purchase RINs.

Finally, the unobligated blender exemption allows these businesses to sell E10 or any blend level they choose and clear diesel regardless of any EPA volume mandate. Selling E10 or only renewable fuels that are profitable, in the face of a higher national standard causes a RIN shortage, raises RIN prices, increases the wealth transfer and, thus, exacerbates both the small refinery compliance cost differential and the unobligated blenders' competitive advantage. The current definition of "obligated party", in a single stroke, stymies EISA's volumetric goals and rewards unobligated blenders more for doing less. The financial statements of the companies taking advantage of the structural flaw at the expense of small business boast of their good fortune.

This outcome was predicted by DOE in its 2011 "Small Refinery Exemption Study"[4] ("DOE study") and adopted by EPA in its final rulemaking.[5] Both predicted that the price of RINs would increase when the ethanol blendwall was reached and that small refineries would be adversely affected. The DOE study concluded:

> When the blend wall is reached, there could be significant economic consequences for obligated parties such as refiners and ethanol suppliers . . . . As the RFS mandate increases, obligated parties will demand more RINs, adding upward price pressure. As the mandate increases, increasing the supply of RINs becomes difficult or nearly impossible. In anticipation of the blend wall, obligated parties may stockpile RINs through discretionary blending in anticipation of a shortage of blending opportunities. Those parties that are short, i.e. cannot generate enough RINs through their own facilities to meet their RVO, will need to purchase RINs and could suffer significant economic hardship. Declining ethanol prices would probably be favorable to refiners/blenders that predominately blend ethanol rather than purchase RINs for blending. Many small refiners do not retain control over the blending of their products, and must purchase additional RINs. Obligated parties that rely on purchasing RINs would be adversely affected when the blend wall is reached and their RINs inventory has been depleted.[6]

[4] *Id.* at 17-18.
[5] Regulation of Fuels and Fuel Additives: Changes to Renewable Fuel Standard Program, 75 Fed. Reg. 14,670, 14,722 (Mar 26, 2010).
[6] DOE Study at 17–18.

Although this outcome was predicted by DOE and EPA, EPA proposed an annual RFS volume for 2013 that breached the E10 blendwall and, in 2014, in comments on a GAO report,[7] reversed course and concluded that integrated refiners blending their own product and merchant refiners purchasing RINs experience the same compliance cost. EPA has not explained why DOE's Small Refinery Exemption Study conclusions are wrong. Neither has the agency offered a rational explanation of how refinery compliance costs can be essentially equal when small refineries' compliance costs have soared (the cost of purchasing RINs) while vertically integrated refineries' compliance costs have remained relatively unchanged (the cost or profit of blending), and unobligated blenders are reporting windfall profits.

Compliance costs cannot be equal for all refineries because small and merchant refineries do not recover their RIN expenses in the petroleum fuels market. During our meeting, Mr. Laity observed that merchant refineries, including small refineries, appear to be marginal suppliers for vertically integrated refineries and non-refining marketers. Mr. Laity asked why small refineries, do not recover their production costs, including RIN purchases, in the petroleum fuels market. While there may be many explanations for why small refineries are not able to recover their cost, it is clear from the financial statements of unobligated blenders that small refineries do not. Public statements made by Murphy USA, Casey's General Stores, and Hess, all unobligated blenders, confirm their windfall profits from selling RINs. In 2013 and 2014, Murphy reported that nearly 40% of its profits for the first three quarters of 2013 were due to revenues from the sale of RINs:

> Total product supply and wholesale margin dollars excluding Renewable Identification Numbers (RINs) were a negative \$13.3 million in the 2014 period compared to a negative \$14.5 million in the same period of 2013. Also affecting operating income for Q3 2014 was income generated by the sale of RINs of \$25.2 million compared to \$31.8 million in the 2013 period. During Q3 2014, 52 million RINs were sold at an average selling price of \$0.48 per RIN.
>
> For the first nine months of 2014, the sale of RINs generated income of \$66.1 million, compared to \$74.8 million during the same period last year. During the first nine months of this year, 141 million RINs were sold at an average selling price of \$0.47 per RIN.[8]

One article citing both Murphy and Hess reported that:

> [S]ome refiners are doing quite well with high RINs costs, receiving credits through their blending operations and then selling them. Murphy Oil, for in-

[7] *PETROLEUM REFINING Industry's Outlook Depends on Market Changes and Key Environmental Regulations*, United States Government Accountability Office, GAO-14-249, 61 (March 14, 2014).
[8] *Murphy USA Reports Strong Retail Margins in Q3, Details RIN Sales*, OPIS Ethanol Updates; BIOFUELS UPDATE: ***, November 7, 2014.

> stance, said it was selling an average 12 million RINs per month through its blending business. Hess' Chief Financial Officer John Rielly said the company was generating $20-million/month of excess RINs, Platts' Starr Spencer reported last week.[9]

Other examples are attached to this letter. At the same time, non-integrated (merchant) refiners are reporting corresponding and devastating losses. Monroe Energy's losses are a prime example:

> For the June quarter, operations at the Trainer refinery produced a $51 million loss ($0.05 cents per gallon impact) driven by the elevated price of the Renewable Identification Numbers (RINs) required under the Environmental Protection Agency's Renewable Fuel Standard.[10]

Monroe, like most small refineries, does not have any significant blending capabilities and purchases RINs for compliance. PES and PBF, also merchant refineries, likewise reported extraordinary RIN costs. PES reported a "significant impact on the company's results of operations" in its February 2015, S1 report:

> The EPA has not finally determined 2014 RFS requirements, and as a result, we do not know with certainty the amount of RINs we will need to purchase to comply with the RFS for 2014. We have based our 2014 RINs purchases on requirements included in the EPA's proposed rulemaking, and our final RFS obligation for 2014 could increase or decrease significantly from this level. RIN prices remain volatile and have increased in 2014. In 2013 and 2014, Refining experienced significantly higher RINs costs than in prior periods, <u>which had a significant impact on our results of operations</u>. We incurred approximately $19.0 million, $31.5 million and $116.3 million in RINs costs during the years ended December 31, 2011, 2012 and 2013, respectively, and approximately $101.4 million and $95.7 million for the nine months ended September 30, 2013 and 2014, respectively. <u>PES, February 2015, S1</u>.

PBF reported a similar hardship:

> We have seen a fluctuation in the cost of renewable fuel credits, known as RINs, required for compliance with the RFS. We incurred approximately $115.7 million in RINs costs during the year ended December 31, 2014 as compared to $126.4 million and $43.7 million during the years ended December 31, 2013 and

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[9] *Id. See also* Jeff Mower, The rise in the price of RINs is eating into refining margins, Platts McGraw Hill Financial: The Barrel (Aug. 6, 2013), http://blogs.platts.com/2013/08/06/rins-margins/. Although referred to as "refiners" neither Murphy nor Hess were refiners for this time period, having divested or shut down their refining operations.
[10] News Release, Delta Air Lines, *Delta Air Lines Announces June Quarter Profit* (July 24, 2013), *available at* http://ir.delta.com/files/earnings/2013/Delta%20Air%20Lines%20Announces%20June%202013%20Quarter%20Profit.pdf.

> 2012, respectively. The fluctuations in RINs costs are due primarily to volatility in prices for ethanol-linked RINs and increases in our production of on-road transportation fuels since 2012. Our RINs purchase obligation is dependent on our actual shipment of on-road transportation fuels domestically and the amount of blending achieved. PBF 10K, 2/26/15.

These extraordinary compliance costs are not shared across the industry and they serve no regulatory purpose. They facilitate a wealth transfer to unobligated blenders who control the means of compliance but have no the obligation to comply. Small refineries are largely merchant refineries like Monroe, PES, and PBF, but considerably more vulnerable financially because they do not have the economies of scale of their larger market competitors.

This disparity between unobligated blenders' RIN gains and merchant refiners' RIN losses would not exist if gains were, in fact, passed up the supply chain to marginal suppliers. RIN revenues, however, are not passed up the supply chain to merchant refiners or small refineries. If RIN revenues merit public disclosure for RIN sellers, so would offsetting pass throughs. Pass throughs are not publicly disclosed by either RIN sellers or buyers because they do not exist.

A partial answer to Mr. Laity's question has been articulated by NERA in a report prepared for Monroe Energy, LLC.

> Although a cost increase common to all refiners will generally be passed on to consumers, the RIN cost increase is not the same for all refiners.
>
> [A]n Integrated Refiner/Blender . . . incurs no additional costs for RINs as long as its blending operation produces enough RINs to satisfy its RVO.
>
> Under basic principles of supply and demand, a Merchant Refiner cannot raise its price for gasoline blendstock if other [i.e., integrated] refiners will satisfy market demand at the existing price.
>
> The failure of gasoline prices to rise in response to RIN price increases that is revealed by the econometric analysis implies that [integrated] refiners have not perceived a need to reduce production because of unrecoverable costs.[11]

The answer to Mr. Laity's question is not why marginal suppliers are not recovering their costs. The answer is that merchant refineries, including small refineries, are not marginal suppliers at many or most of the pipeline terminals they supply. For example, 45% of the nation's refining capacity and a much smaller portion of its consumer demand are located along the Gulf Coast. Gulf Coast production must be shipped to other markets via pipeline. When a vertically integrated refinery's product reaches a pipeline terminal, the refiner will supply its own local sta-

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[11] *ANALYSIS OF RFS2 RIN MARKETS, Prepared for: Monroe Energy LLC*, NERA Economic Consulting, 36–37 (October 15, 2013).

tions and then decide whether to ship the rest of its production further down the line, exchange product with another refiner, sell product to such a refiner or sell product to a non-refining marketer. If a merchant or small refinery is to capture any sales above the terminal rack, it must match or beat this vertically integrated refiner's price.

Yet, consistent with the NERA conclusions, the vertically integrated refiner has no pressure to recover RIN costs since it has little to no RIN costs. It gets all the RINs it needs when blending to supply its franchised retail locations even if the fuel blended is received from another refiner or purchased from a merchant or small refinery. Vertically integrated refiners are generally net purchasers of fuel and, therefore, separate more RINs than they need for compliance. Above the terminal rack, merchant and small refiners cannot recover their RIN costs if they must compete with one or more vertically integrated refiners that do not buy RINs.

At the terminal truck rack, another advantaged, i.e., RIN subsidized, competitor for the small refinery comes into play. There, the non-refining marketer also sells fuel to retail locations. The marketer purchases bulk fuel, reaps free RINs from blending the fuel at the truck rack and then resells the fuel to its local locations. In order to keep its wholesale business competitive with vertically integrated franchisees, the marketer's rack prices need only beat the vertically integrated refiner by a little bit. This should not command much of the marketer's RIN income. A merchant or small refinery with independent retail location customers must keep its customers competitive by matching or beating the marketer's and vertically integrated refiner's rack prices, which do not reflect the full value of the RIN. Again, merchant refiners and small refineries are unable to recoup their RIN expenses.

The problem for merchant refiners and small refineries is made even more difficult by the industry practice of indexing contract sales prices to the lower of the seller's posted price or the Oil Price Information Service rack average. Thus, even if a merchant refiner or small refinery could raise its prices, its price received could never rise above the local terminal's OPIS average less any contracted discount. For rack sales, a merchant refiner and small refinery will never recover RIN expenses if a marketer or vertically integrated refiner also sells at the same rack.

Another way in which small refineries are disadvantaged relative to their large competitors including merchant refineries is their inability to reduce their obligated production by exporting gasoline and/or diesel. Coastal refineries, because of the combined RVOs, are able to avoid all types of RINs regardless of whether they export diesel or gasoline. In contrast, small refineries are generally located inland and therefore do not have the option of exporting to avoid the escalating price of RINs. In February 2015, PES refining commented in its S1 public filing that they export finished products to manage RFS2 compliance requirement cost:

> Refining currently blends renewable fuels and purchases RINs on the open market, as well as certain waiver credits, in order to comply with the RFS. Refining's overall RINs obligation is based on a percentage of domestic shipments of on-road fuels as established each year by the EPA. To the degree Refining is unable to blend the required amount of biofuels to satisfy its RINs obligation, Refining must purchase RINs on the open market to avoid penalties and fines. We purchased RINs of 66 million gallons and 164 million gallons during the Successor 2012 period and year ended 2013, respectively, and approximately 156 million gallons and 284 million gallons for the nine months ended September 30, 2013 and 2014, respectively. The amount of RINS we are obligated to purchase is impacted by our total barrels of gasoline and distillate produced and the obligation is reduced by blending renewable fuels at third party fuel terminals and by exporting gasoline and distillate. PES S-1, February 2015 (emphasis added).

Small, inland refineries, like those in the Rockies for example, cannot physically blend biodiesel due to lack of supply and infrastructure. Parties with access to infrastructure and biofuel can over-blend reducing their cost of compliance or to make a profit. Parties without infrastructure effectively pay twice—they pay for RINs that defray costs and generate profits for others and then later must pay to put in infrastructure to actually comply (if and when practical). Paying for another party's infrastructure and then paying again clearly puts small refineries at a disadvantage.

Each member of the coalition is a small refinery that purchases RINs for compliance and/or competes against a RIN subsidized unobligated blender. For RIN purchasing refineries, the cost of compliance with the RFS in 2013 and 2014 is among the top operating expenses of the refinery. For small refineries competing against RIN subsidies, margins are plummeting, yet EPA is not granting hardship relief as it promised to do if the price of RINs increased significantly.

> RIN prices should rise to reflect the most expensive blending opportunity taken. As the RFS mandate increases, obligated parties will demand more RINs, adding upward price pressure. As the mandate increases, increasing the supply of RINs becomes difficult or nearly impossible. In anticipation of the blend wall, obligated parties may stockpile RINs through discretionary blending in anticipation of a shortage of blending opportunities. Those parties that are short, i.e. cannot generate enough RINs through their own facilities to meet their RVO, will need to purchase RINs and could suffer significant economic hardship.[12]

Instead, EPA has begun to phase-out hardship relief, making it more difficult to secure, and denying hardship relief to any small refinery that, notwithstanding the disproportionate economic hardship that the rule imposes, remains profitable. The financial condition of small refin-

[12] DOE Study at 17–18 (emphasis supplied).

eries that cannot meet substantially all of their obligation through blending will grow worse over time as national renewable fuel volumes approach levels specified by EISA and the ability to blend remains constrained by the blend wall. E10 is a more commercially attractive product since midlevel blends (gasoline containing 11-50% ethanol) are hamstrung by several factors—the cost of necessary infrastructure upgrades at retail outlets[13], the potential for voiding both old and new engine warranties[14], the 9 psi summertime vapor pressure limit applicable to everything but E10, and the misfueling precautions imposed on suppliers and retailers. With this resistance to higher blends, selling only E10 in the face of EISA's higher requirements will cause an even greater RIN shortage since virtually all gasoline sold is already E10.

Refiners also require biodiesel to be blended to meet their obligation for advanced (D5) and Biomass Based Diesel (D4) RINs, which accrues to their combined volume of gasoline and diesel. While almost every wholesale terminal is now capable of blending ethanol, many fewer are capable of blending biodiesel and the financial benefits of doing so are absent without a high RIN price, particularly if the $1 per gallon biodiesel blending credit is not extended past 2014.

When the decision was made to place the compliance obligation on refiners, the agency predicted that RINs would be available to those that needed them and promised that it would revisit its decision to place the compliance obligation on refiners if the RIN market was not operating as intended driving up compliance costs for refiners and fuels prices for consumers.

> [W]hile some refiners expressed support for moving the obligations to downstream parties such as blenders, terminals, and/or wholesale purchaser consumers, other refiners preferred to maintain the current approach. Blenders and other downstream parties generally expressed opposition to a change in the designation of obligated parties, citing the additional burden of demonstrating compliance with the standard especially for small businesses. They also pointed to the need to implement new systems for determining and reporting compliance, the short leadtime for doing so, and the fewer resources that smaller downstream companies have to manage such work in comparison to the much larger refiners.

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[13] "This can be a very expensive endeavor — dispensers can cost $20,000 and underground system retrofits can quickly exceed $100,000. Dispenser retrofit kits — only recently approved — can cost up to $4,000." Renewable Fuels: The Future Is Now (Or Close to It), *available at* http://www.nacsonline.com/YourBusiness/FuelsReports/GasPrices_2014/Fuels/Pages/Renewable-Fuels-The-Future-Is-Now.aspx.
"NACS estimates that the cost of installing retail infrastructure that can handle E85 can exceed, in some areas, $200,000 for an individual store owner who operates two underground storage tanks and four dispensers." Letter from R. Timothy Columbus, General Counsel, Society of Independent Gasoline Marketers of America (SIGMA) and the National Association of Convenience Stores (NACS), to John Podesta, Counselor to President Obama (July 10, 2014).

[14] *E.g.*, "Non-Flex Fuel Vehicles (FFV) are compatible with gasoline containing 10% ethanol (E10). Gasoline with higher ethanol content may void the New Vehicle Limited Warranty." Chrysler 200 2015 Owners Manual 522.

> Finally, they pointed to the additional complexity that would be added to the RFS program beyond that which is necessary to carry out the renewable fuels mandate under CAA section 211(o).
>
> When the RFS1 regulations were drafted, the obligations were placed on the relatively small number of refiners and importers rather than on the relatively large number of downstream blenders and terminals in order to minimize the number of regulated parties and keep the program simple. However, with the expanded RFS2 mandates, essentially all downstream blenders and terminals are now regulated parties under RFS2 since essentially all gasoline will be blended with ethanol. Thus the rationale in RFS1 for placing the obligation on just the upstream refiners and importers is no longer valid. Nevertheless, based on the comments we received, we do not believe that the concerns expressed warrant a change in the designation of obligated parties for the RFS2 program at this time. We continue to believe that the market will provide opportunities for parties who are in need of RINs to acquire them from parties who have excess. Refiners who market considerably less gasoline or diesel than they produce can establish contracts with splash blenders to purchase RINs.
>
> [A] change in the designation of obligated parties would result in a significant change in the number of obligated parties and the movement of RINs, changes that could disrupt the operation of the RFS program during the transition from RFS1 to RFS2. We will continue to evaluate the functionality of the RIN market. Should we determine that the RIN market is not operating as intended, driving up prices for obligated parties and fuel prices for consumers, we will consider revisiting this provision in future regulatory efforts.[15]

While the price of RINs has increased significantly, only small and merchant refineries are affected. Therefore, EPA's promise to revisit the obligated party definition is an empty one. EPA's conditions precedent can never be demonstrated; only merchant and small refineries (who do not control the market) are suffering. EPA, nevertheless, in its treatment of small refinery exemption petitions and in public statements, continues to behave as if RINs are plentiful and compliance costs are equal for all refiners.

To avoid doing irreparable damage to small refineries and competition in the refining industry, the agency must relocate the compliance obligation and the terminal rack is the logical location—since it is where the blending occurs. The obligation should be placed on the party that owns the gasoline or diesel when it is loaded across the rack for sale to the final end user. This is the same party that is responsible for collecting and paying the federal and state fuels excise tax. It is a discrete number of already regulated entities. Under a revised RFS2, the obligated party would be the "Position Holder", as that term is defined in the IRS regulations:

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[15] Regulation of Fuels and Fuel Additives: Changes to Renewable Fuel Standard Program, 75 Fed. Reg. 14,670, 14,722 (Mar 26, 2010) (emphasis supplied).

> **Position holder.** This is the person that holds the inventory position in the taxable fuel in the terminal, as reflected in the records of the terminal operator. You hold the inventory position when you have a contractual agreement with the terminal operator for the use of the storage facilities and terminaling services for the taxable fuel. A terminal operator that owns taxable fuel in its terminal is a position holder.

The act of loading the product across the rack for sale to the final end user is the taxable event. It could also be the point of obligation for RFS2. Locating the obligation at the rack and in the hands of the party already paying the federal and state excise tax would not create market winners and losers and would not significantly increase any party's compliance obligation because the blending is occurring at the terminal, before the fuel is loaded across the rack, the entities are already regulated, and the regulated parties would not have a disincentive to blend, thereby correcting the structural flaw in the rule.

OMB and OIRA should act to protect small business and fix the rule's structural flaw, which imposes a disproportionate compliance cost and competitive disadvantage on small refineries. Taking action to correct the rule as requested by the coalition will not adversely impact the goals of the renewable fuel standards—to reduce dependence on foreign oil and reduce greenhouse gas emissions. To the contrary, it will further the law's goals by eliminating a problematic compliance exemption. Correcting the structural flaw will simply fix a problem with the rule that is unduly burdening one sector of the refining industry: small business.

This is very important to my clients. I hope you agree that there is a problem and take steps to fix it.

Very truly yours,

LeAnn Johnson Koch

cc: Mr. Chris Grundler (via electronic mail)
Mr. David Korotney (via electronic mail)
Mr. Byron Bunker (via electronic mail)
David L. Carroll, Esq., Hunt Refining Company (via electronic mail)
Mr. H. Don Davis, Ergon, Inc. (via electronic mail)
Mr. Ronald D. Hurst, Placid Refining Company LLC (via electronic mail)
Mr. Robert Neufeld, Wyoming Refining Company (via electronic mail)

James Ranspot, Esq., ALON USA Energy, Inc. (via electronic mail)
Mr. Robert B. Redd, US Oil & Refining Company (via electronic mail)
Mr. Stephen L. Sherk, American Refining Group, Inc. (via electronic mail)

APPENDIX

Murphy Oil Management Discusses Q2 2013 Results - Earnings Call Transcript

Murphy Oil (NYSE: MUR)

Q2 2013 Earnings Call

August 01, 2013 1:00 pm ET

Executives

Steven A. Cossé - Chief Executive Officer, President, Director, Member of Executive Committee and Member of Environmental, Health & Safety Committee

Barry Jeffery - Director of Investor Relations

Kevin G. Fitzgerald - Chief Financial Officer, Executive Vice President and Vice President of Murphy Oil Company Ltd

Roger W. Jenkins - Chief Operating Officer, Executive Vice President and President of Murphy Exploration & Production Company

R. Andrew Clyde - Chief Executive Officer and President

Analysts

Leo P. Mariani - RBC Capital Markets, LLC, Research Division

Guy A. Baber - Simmons & Company International, Research Division

Blake Fernandez - Howard Weil Incorporated, Research Division

Raymond J. Deacon - Brean Capital LLC, Research Division

Pavel Molchanov - Raymond James & Associates, Inc., Research Division

Evan Calio - Morgan Stanley, Research Division

Operator

Good afternoon, ladies and gentlemen, and welcome to the Murphy Oil Corporation Second Quarter 2013 Earnings Conference Call. Today's conference is being recorded.

I would now like to turn the call over to Mr. Steven Cossé, President and Chief Executive Officer. Please go ahead, sir.

Steven A. Cossé

Thank you, operator, and good afternoon, everyone. And thank you for joining us on our call today. With me here are Roger Jenkins, our Executive Vice President and Chief Operating Officer; Kevin Fitzgerald, our Executive Vice President and Chief Financial Officer; Andrew Clyde, who's a President and CEO of Murphy USA, Inc.; John Eckart, Senior Vice President and Controller; Mindy West, Vice President and Treasurer; Barry Jeffery, Director of Investor Relations; and Tammy Taylor, Assistant Manager, Investor Relations.

Barry?

Barry Jeffery

Thanks, Steve, and welcome, everyone.

Today's call will follow our usual format. Kevin will begin by providing a review of second quarter 2013 results. Steve and Roger will then follow with an operational update, after which questions will be taken.

Please keep in mind that some of the comments made during this call will be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. As such, no assurances can be given that these events will occur or that the projections will be attained. A variety of factors exist that may cause actual results to differ.

For further discussion of risk factors, see Murphy's 2012 Annual Report on Form 10-K filed with the SEC. Murphy takes no duty to publicly update or revise any forward-looking statements.

I'll now turn the call over to Kevin.

Kevin G. Fitzgerald

Thanks, Barry. Net income for the second quarter of 2013 was $402.6 million or $2.12 per diluted share as compared to net income for the second quarter of 2012, $295.4 million or $1.52 per diluted share. For the 6 months ended June 30, 2013, we had net income of $763.2 million or $4 per diluted share, compared to net income for the first 6 months of last year of $585.5 million or $3.01 per diluted share.

This year's second quarter included income from discontinued operations of $70.5 million or $0.37 per diluted share compared to income of $4.1 million or $0.02 per diluted share for the same period last year. For the 6-month period 2013 included an income from discontinued operations of $223.1 million or $1.17 per diluted share, compared to income of $12.8 million or $0.07 per diluted share in 2012. The increases in the 2013 income for discontinued operations resulted primarily from gains on the sales of all E&P properties in the U.K.

From continuing operations, we had income in the second quarter of 2013, $332.1 million or $1.75 per diluted share compared to income from continuing ops the second quarter of 2012 of $291.3 million or $1.50 per diluted share. For the 6 months 2013, we had income from continuing operations of $540.1 million or $2.83 per diluted share, compared to $572.7 million for the 6 months of 2012 or $2.94 per diluted share. Improved results from continuing operations in the second quarter of 2013 as compared to 2012 is mostly attributable to growth of oil production in the Eagle Ford Shale area.

Looking at income by segment. In E&P, we had income from continuing operations in the second quarter of $290.2 million compared to income from continuing operations, second quarter of last year of $226 million. Higher E&P earnings for the 2013 quarter were mostly attributable to higher oil sales volumes and natural gas prices in North America, partially offset by lower realized crude oil sales prices in the U.S. and Malaysia and lower natural gas sales volumes in Canada and Malaysia.

Crude oil and gas liquids production for the current quarter was approximately 136,000 barrels per day compared to approximately 104,000 barrels per day in the corresponding 2012 quarter, with the increase mostly attributable to higher production in the Eagle Ford Shale. Natural gas sales volumes averaged 431 million cubic feet per day in the second quarter of 2013 compared to 507 million cubic feet per day in the second quarter of last year. The decrease was attributable to lower volumes at the Tupper area in British Columbia and from fields offshore of Sarawak, Malaysia.

In the R&M segment from continuing operations, we had income in the second quarter of 2013 of $72.2 million compared to $80.5 million in the second quarter of last year. The decrease in the current quarter was mostly attributable to weaker results from operations in the U.K.

In the corporate segment, second quarter 2013, we had a net charge of $30.3 million, compared to a net charge in the second quarter of last year of $15.2 million. The increased cost primarily related to higher interest expense and administrative expenses.

During the quarter, we completed the initial accelerated share repurchase program we began last year and retired an additional 196,711 shares over that previously reported. Additionally during the second quarter, we repurchased just under 4 million shares of our common stock through the completion of a second $250-million accelerated share repurchase program. The total number of shares we've repurchased under the authorization approved by our board last October is 8,044,378 shares at an average price of $62.16 per share. As of June 30, 2013, Murphy's long-term debt amounted to just over $3 billion, which is approximately 24.9% of total capital employed. This long-term debt figure includes approximately $320 million associated with the capital lease of production equipment for the Kakap field

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offshore Malaysia. Excluding this lease, long-term debt to total capital employed at June 30 would be 22.9%.

And with that, I'll turn it over to Steve.

Steven A. Cossé

Thanks, Kevin. Benchmark WTI prices has averaged just over $94 for the second quarter with Dated Brent and LLS each pricing over $102 and $109 per barrel, respectively. This quarter, Dated Brent and LLS benchmarks served as the markers for more than 80% of our crude oil sales. North American natural gas prices started the quarter with Henry Hub over $4 but eased off to a $3.75 range with an average just over $4 for the quarter.

In U.S. Retail operations, fuel margins rebounded in the second quarter, averaging $0.156 per gallon. In addition, we saw a strong contribution from the sale of RINs related to the blending of ethanol into gasoline throughout our retail network.

In upstream business, we've followed up on a solid first quarter by exceeding our production guidance again in the second quarter, progressing all of our Malaysian oil projects as planned, continuing our growth in the Eagle Ford Shale area. And we also closed on the sale of our last upstream property in the U.K.

After the planned spinoff of our U.S. downstream business, and as we mentioned in our release yesterday, we've made substantial progress. We've announced the Murphy USA Inc. Board of Directors, the management team and organization are in place, up and running, we've received a ruling from the IRS confirming a tax-free status of the transaction. We're making good progress on our SEC filing. And Murphy USA is in the process of finalizing its capital structure. Again, as we noted yesterday, our board was will consider this progress at its meeting next Wednesday. And we expect to announce the board's conclusions shortly thereafter. The sales process for our U.K. downstream business continues and we're actively engaged with several interested parties to divest those assets.

Roger, for an E&P update?

Roger W. Jenkins

Thank you, Steve. Hello, everyone. In our exploration and global offshore business, we continue to focus on 4 areas, the big water Gulf of Mexico, the Atlantic Margin, Southeast Asia and Australia.

First, in Australia, in the Browse Basin, our partnership group is drilling the Dufresne-1 well where we hold a 20% working interest. The well is located approximately 35 kilometers west of the Bassett West well, which is expensed this quarter as noncommercial with over 20 feet of net gas pay. We're continuing with work to evaluate the large Bassett structure and anticipate results on the Dufresne well early in the fourth quarter.

In Brunei, the partnership group plans to drill 2 prospects, offsetting a recently announced Kelidang discovery in the fourth quarter with results expected in quarter 1 of next year. The spud timing remains uncertain here and in most of our global operating areas, as a shortage of deep water and high-capacity jack-up rigs worldwide is pushing drilling schedules to the right.

We've made progress and added acreage in Vietnam with the official signing of the shallow water Block 11-2 PSC at 60% working interest. We're now shooting seismic on the Block, and we hope this will lead to a well spud in 2014. We continue to work on increasing our footprint in Vietnam.

In the Atlantic Margin, we spud our first deep water well in Cameroon yesterday. The Boning [ph] #1 well in the Elombo Block, should take approximately 45 to 60 days to drill, and is testing both the tertiary and Cretaceous age sand target with a predrill gross resource estimate in the range of 300 million barrels.

The exploration well in the NTEM block is scheduled to be drilled with the same rig in early 2014 following a planned shipyard rig inspection. The predrill estimate for this well's in the range of 600 million barrels on a gross basis.

In offshore Equatorial Guinea in block "W", we plan to start 3D seismic program in quarter 4. In Suriname, we finished shooting seismic on our Block 48 and have an agreement to take on a partner to join us in this acreage position at 50% working interest.

In the Gulf of Mexico, we remain very active in the Gulf especially in the Jurassic Norphlet Play. We have recently signed a formal agreement with Marathon to participate in their Madagascar well in Block DeSoto Canyon 757 at a 30% working interest. The well is scheduled to spud in September or October of this year. In our Murphy-operated Titan prospect located in DeSoto Canyon 178, we have lowered our working interest from 70% to 50% in a promoted farm out to the Nori [ph] resources. The Titan prospect will be drilled with our new long-term contracted rig, the Transocean Discoverer Deep Seas, is spudding in early quarter 1 next year due to continued rig delays with another operator. We hope to take possession of the rig in October and will immediately focus on our Dalmatian development prior to the spud of Titan. We're very excited about this 2-well opportunity in the Gulf area that has some recent substantial success. The 2 wells will bookend the recently announced discoveries in the play. Both Madagascar and Titan have a gross mean resource estimate in the 150 million to 200 million barrel range.

Moving away from exploration to operations offshore, first in Malaysia. Our deepwater projects offshore Sabah, Kikeh remains at planned production levels on the oil side despite some recent downtime events at the nonoperated onshore methanol plant where we deliver Kikeh-associated gas production. We are still on schedule with planned shut-in of production during August and September to install production facilities associated with the Siakap North/Petai development, which will be tied to the Kikeh FPSO later this year.

At Siakap North/Petai, we're currently drilling the third of 8 production wells, with the first of 5 water injection wells also drilled and completed. Drilling results to date have been to plan. We're also progressing facility work and first oil is expected in early quarter 4 of this year.

The Kakap-Gumusut early production system is producing at planned levels through the Murphy operative Kikeh FPSO. The nonoperated full field development's progressing to plan with the permanent floating production system now moored on location and the production riser installation ongoing, both major milestones towards achieving first oil this year.

We've achieved a successful startup in the first oil from the Serendah field in June 29 of this year, just 20 months from field development plan and approval. The project was executed on time and budget. The Serendah field and Block SK 309 is located 45 kilometers offshore Bintulu, Sarawak, Malaysia in 112 feet of water. The production facility has a design capacity of up to 15,000 barrels of oil per day, with pipelines tied back to our existing oil and gas gathering infrastructure. Oil is evacuated through the West Patricia FPSO, with associated gas being sold through our shallow water gas infrastructure blending in our Bintulu onshore gas facility.

We have initially 3 wells online at a rate of 6,500 gross and 4,000 net barrels of oil per day. We have an 85% working interest in the field with our partner PETRONAS Carigali holding the remaining 15%. This is the first of 4 shallow water oil fields that we plan to bring on this year. Development work at the 3 remaining projects, South Acis, Patricia and Permas, continued on plan, with a major milestone in South Acis achieved yesterday with the successful installation of the top sides. Production starts for these projects are staggered through the remainder of the year.

Sarawak gas production continues to be a steady performer with strong realized prices in the range of $7 per MCF in quarter 2. In addition to our 4 oil projects, we have also brought on production from the Merapu [ph] gas field on July 15 as part of our long-term shale light gas development program, which will produce with contracted and certified volumes until 2022 and beyond. In the Gulf of Mexico, development work at the Dalmatian deepwater tie-back project is progressing on schedule, with first production slated in quarter 1 next year.

Now to our North American onshore business, first in Eagle Ford Shale. And we're currently running 8 rigs and 2 frac units. We continue to focus on supply costs and seeing solid improvements in our operating expenses with these costs showing a 33% improvement in quarter 2 over quarter 1. We've now drilled 308 wells in the play and have 255 wells on production.

Production averaged 39,700 barrel of oil equivalent net in quarter 2, an increase of some 10,800 barrel of oil equivalent per day over quarter 1, with an oil waiting of 92%. Production's expected to continue to ramp-up over the year. Prices continue to be strong in the Eagle Ford Shale production with net back prices in quarter 2 averaging just over $100 per barrel.

We have 2 down spacing projects, one project on the [indiscernible] in our Karnes field has 6 wells on a 40- to 60-acre spacing. We brought 5 wells on production so far and the initial total rate for the pad is 3,280 barrel of oil equivalent today per day at 88% oil, so we're very pleased with this result. The other down spacing project, the 100% Tilden acreage in Nassau County [ph] at the Y-bar lease [ph] has 40-acre spacing and 5 wells, and we expect results in late August.

We're now formulating plans to use longer lateral wells across the play. One of our recent rigs Karnes Wells has a lateral length of over 6,300 feet and has shown, as expected, a near 10% increase in EOR with 30% improvement in initial rates. We're also working a long-lateral project in Catarina that we hope to drill laterals over 8,000 feet in length that would dramatically lower well count, pad count and will require less infrastructure, driving costs down.

In the Pearsall Shale, we've approximately 45,000 acres in the play with a focus area now of some 25,000. We plan to drill 3 additional delineation wells starting in the third quarter and extending into early next year.

We have hedged approximately 10,000 barrels of oil per day of our Eagle Ford Shale production by forward selling Calgar Monte [ph] WTI at a price level of $101.55 per barrel through the end of this year, and 10,000 barrels of oil per day at an average price of $96.20 in the first half of 2014.

Up in Canada, in Seal, we continue to focus primarily on EOR. Our first cyclic steam stimulation pilot in the Cadotte area continues to go well. We completed the first injection production cycle and saw encouraging results with production increasing fivefolds over 100 barrels of oil per day. We're now injecting steam in the second cycle. In addition, we're preparing a second well for steam later this summer.

Our commercial polymer project continues on track. We're seeing good pressure response in Phase 1. And we started injecting the polymer in the second phase wells last December and expect to see pressure response by year-end. In the meantime, we're preparing the next group of wells for polymer injection by the end of the year.

Heavy crude netbacks improved in quarter 2 to near $50 per barrel, up from $28 in quarter 1. We continue to take advantage of market opportunities and forward sell heavy crude due to volatility in the market. We sold approximately 3,000 barrels of oil per day of our Seal heavy crude production in July, August and September at an average net back price of $54 per barrel.

In the Montney, with AECO prices currently under CAD 3. We're focused on evaluating liquids-rich area in the play and we are now float testing 2 additional wells in the southeast edge of the play and early days of the well test here. In addition, we recently received approval to expand the Tupper West gas plant from 180 million to 210 million cubic feet a day, because down the road we hope to bring forward gas processing agreements from nearby competitors to continue to drive our costs down. We continue to take advantage of gas forward sales agreements in the Montney, with close to 80 million sold at CAD 3.75 for the rest of the year and 50 million a day sold of gas in 2014 at CAD 4 per MCF. We're seeing incremental hedging, focusing on costs, bringing in liquids-rich areas and working with nearby operators to process their gas at our facility is the game plan here going forward.

Second quarter production averaged a little over 207 barrel of oil equivalent per day, exceeding our guidance level of 202,000 barrel of oil equivalent per day, primarily attributed to continued strong performance in the Eagle Ford and higher volumes from Sarawak gas. Production guidance for quarter 3 is set at 190,000 barrel of oil equivalent per day to reflect the planned shutdown to our -- at our Kikeh FPSO in August and September at the Siakap North/Petai project I just mentioned.

The fourth quarter will be strong with Kikeh back on line, continuing growth at Eagle Ford and the Malaysia oil projects, both shallow and deepwater, coming onstream. We're now increasing our yearly guidance to 203,000 barrel of oil equivalent per day for the year.

For now, I want to turn it back over to Steve.

Steven A. Cossé

Thanks, Roger. The U.S. downstream business reported total net income of $77.9 million. RIN sales contributed $18.4 million of income at an average price of $0.78 per RIN credit. In a period of fluctuating wholesale markets, U.S. retail margins were $0.156 per gallon for the second quarter, increasing from $0.11 per gallon in the first quarter. This is down from $0.197 per gallon in the second quarter last year, where we experienced a sharper fall in wholesale markets.

Merchandise sales totaled $553 million in the second quarter, an increase of $38 million from the first quarter of 2013 and $12 million year-on-year. Margins were relatively flat at 12.8% this quarter compared to 12.9% last quarter and down 13.4% from a year ago. We added 7 new retail stations this quarter, bringing our total count to 1,179 with plans to end the year with over 1,220 outlets.

In summary then, the spinoff of our U.S. Retail business continues to move forward with key milestones achieved, and our Board of Directors will be meeting next week. In exploration, we only drilled 1 well in the second quarter but have an active program for the rest of the year, with impactful prospects to drill offshore Cameroon, Australia and the Gulf of Mexico. Development work on our Malaysian projects is progressing well with the first project at Serendah coming onstream as planned. And lastly, we continue to deliver on our production targets.

With that, we'll now open up for questions. Operator?

Question-and-Answer Session

Operator

[Operator Instructions] We'll take our first question from Leo Mariani from RBC.

Leo P. Mariani - RBC Capital Markets, LLC, Research Division

Just a question on the Eagle Ford. Sounds like it had a really big ramp up in the second quarter, I guess, talked about 39,000 barrels a day and change. Where is that production currently?

Roger W. Jenkins

Production today is around 45,000 BOE per day and kind of near 90% oil range.

Leo P. Mariani - RBC Capital Markets, LLC, Research Division

Okay. All right. And I guess, just in terms of your number of wells, what's the plan for total number of wells in 2013? And would you happen to have the number of wells you brought on in both the first and second quarter of '13?

Roger W. Jenkins

Yes, I happen to have that, just one second. Brought on 49 wells in the first quarter, 48 in the second. We're going to be probably tailing down our current plan to have 41 in the third and 30 in the fourth because we've so efficient, we've out drilled ourselves, worked ourselves out of a job a little bit here, and we're trying to keep our capital in check and we have less wells coming on. And we kind of frontloaded our CapEx there, Leo.

Leo P. Mariani - RBC Capital Markets, LLC, Research Division

Okay. And I guess, obviously, that's a pretty good program. I mean, I guess, is that potentially to accelerate next year at all? How should we think about that?

Roger W. Jenkins

I think it should maintain it. I mean we have a strategy of being an E&P explorer and offshore and complementary onshore business, that we said many times, we're running about a $1.4 billion CapEx business here. I'd see that trying to keep that the same at this point. There's going to be -- I think 160 wells, Leo. Could be add up a little more than that, but it's around that number.

Leo P. Mariani - RBC Capital Markets, LLC, Research Division

Okay. I guess Seal, looks like you guys saw a really nice increase in production at Seal during the quarter. Should we expect that to kind of continue to trend higher for the rest of the year or that might plateau a little bit?

Roger W. Jenkins

Probably not. We had a fire in February and we've recovered very well from that. We're probably a little ahead of our plans. I would imagine with the breakup system, breakup being pretty rough in Canada this year, no drilling, we have no rigs today. And we don't have any rigs, usually dropped. It won't drop a whole lot, but I don't see the growth we had quarter 1 to quarter 2 continuing that out.

Leo P. Mariani - RBC Capital Markets, LLC, Research Division

All right. So basically just watching your polymer pilot, and you stick with the steam pilot, and if you get results there, might you accelerate those at all next year? How are you guys thinking about it?

Roger W. Jenkins

It's probably not. We have this $1.4 billion CapEx, trying to get ourselves into back to cash flow CapEx parity very -- really working that issue in our budget. When you compare -- while we're excited about the EOR opportunity, we do have a long-range vision of price there, and it's been a very volatile and very good at times. But Eagle Ford's a pretty hot running card to play right now for us in our capital allocation.

Leo P. Mariani - RBC Capital Markets, LLC, Research Division

Okay. In terms of retail spin, I guess your board's meeting next week. I guess, my understanding was that you guys have sort of already approved that formally as a board, so it sounds like maybe you're just making decisions on the exact capital structure and amount of dividend to do, then back to the parent. Is that right? Am I missing anything?

Steven A. Cossé

Well, we hadn't met. The board has not decided to actually do the spin. But we're moving in that direction. And I'd like to answer that question the middle of next week.

Leo P. Mariani - RBC Capital Markets, LLC, Research Division

Okay, understood. Makes sense. And I guess in terms of RIN, you talked about $18 million of income benefit this quarter. I guess prices are still strong. I guess we should expect to see continued incremental income from that for the rest of the year. And I guess could you potentially highlight, roughly, what the cash flow impact is of the RINs?

R. Andrew Clyde

Certainly, this is Andrew Clyde. We've been doing 12 million RINs a month and that's a consistent rate for our proprietary blending. We can buy more bulk barrels and blend more when the economics support it. But we'd look to continue to do around 12 million conservatively for the rest of the year.

Leo P. Mariani - RBC Capital Markets, LLC, Research Division

Alright. And so, Andrew, that translates into sort of rough cash flow?

R. Andrew Clyde

Not until I could predict RIN prices. So currently they're around $1, and we're selling ratably on a monthly basis. So we're blending and generating, capturing RINs of about 12 million a month and we'll be getting the market price on a ratable basis.

Operator

And we'll take our next question from Guy Baber with Simmons & Co.

Guy A. Baber - Simmons & Company International, Research Division

I wanted to talk about production costs and your focus on margin improvement. But your U.S. production costs seem to hit their lowest per barrel level in about 2 years and the Malaysian production costs this quarter hit their lowest level in 3 years, I believe. So my question is was there anything unique to this quarter that caused the cost to be abnormally low? And then also could you maybe just elaborate on efforts to continue to reduce OpEx and what the per-barrel trajectory might be for some of your key assets in the U.S. and in Malaysia to the end of this year and into next year?

Roger W. Jenkins

Okay. First, just some general comments on that. In offshore, probably up a little bit this quarter to the first and that number will probably be fairly consistent throughout the year. Big improvement in our Eagle Ford Shale. We're in the $15 range per BOE, which is a big improvement. That was due to the big ramp up and the building of facilities and more concentrating of the buildout of all of our equipment and less rental equipment. I would see that drifting down in pennies throughout the year, down into the 14 level in the fourth quarter. I don't see it making these continued giant improvements.

Over in Malaysia, we did have a onetime credit. We sell condensate. Condensate are NGLs come off with the gas project in Malaysia at the Sarawak gas. And we've had been accruing a certain level of operating expenses in the long-term negotiation with our partner there, Petronas, and received a credit, a onetime credit for this quarter, bringing that down in that business slightly. And then in the next quarter in Malaysia, we'll be up. Again we have this Kikeh shut-in. And when you shut in Kikeh with a leased FPSO, you anticipate operating expenses to go up. So -- and then we'll get kind of back into where we are -- where we were at the first quarter in Malaysia toward the end of the year.

Guy A. Baber - Simmons & Company International, Research Division

Okay. Very helpful. And then I was hoping you could also just touch on Gulf of Mexico volumes, really, how you see your base performing. But I noticed in some of the charts that you're not really building in any decline to the base in the Gulf of Mexico over the next couple of years. So just looking for some detail on how that base is forming now and what type of activity is going on right now for you to mitigate any declines you might see there.

Roger W. Jenkins

Well, we have around a 15,000-barrel a day business, not having a very good year in the Gulf, quite frankly. Had some operational problems and rig delays here and there. About a 15,000-barrel a day business would be declining on base, but we have the Dalmatian project coming on next year. It's quite prolific, almost the same size of what we're producing today net. That's on schedule to come on in the first quarter. And later from there, we have the Medusa subsea development where we -- Medusa's one of our better fields and becoming one of the better margins in the company, a very nice field. It's still producing it's original wellbores. So we're unable to produce some success. We have upped the hole, if you will. We need to put in some subsea equivalent, working with our partners to gain that approval. And that should work into 15, kind of maintaining that Gulf of Mexico, and that toward the 20s kind of a business until we have a, hopefully, a discovery guy.

Operator

And we will take our next question from Blake Fernandez with Howard Weil.

Blake Fernandez - Howard Weil Incorporated, Research Division

I had a couple of questions for you. One is on the hedging strategy. I know historically you've had some gas hedges in place, but if I'm not mistaken, this is a bit new to have the oil hedges in place. I'm just curious, if you could talk a little bit about the strategy there? If this is a kind of a one-off call on commodity prices being elevated? Or if this is a function of the potential retail spin and the idea that you're going to have more volatile earnings stream going forward?

Roger W. Jenkins

No, I don't believe that latter's the case. I think when you look -- I'm a benchmarker, Blake. I benchmark everything to my competitors' OpEx, DD&A, you name it. Primarily, most of our competitors are probably -- have hedged positions for 25% to 30% of their barrel of oil equivalent, especially on the oil side. We, of course, have been a very low debt player compared to our competitors in that type situation. But we have taken on some debt, on a net debt basis still very low. We do have some U.S. debt. We have a very good business in the Eagle Ford that we want to maintain our certain level of capital. We are working a strategy to hedge our forward sale, if you will, about this level of production. I don't see us going over 25%. And we saw an opportunity when the market shot up ahead of what we have in our budget and I took a small position there. I don't think of us as increasing it a whole lot. I don't think of us as becoming a big hedge player. I thought it was remiss to not have any hedge position at all in our business, protecting cash flow in the U.S. where we want to run with a $1 billion-plus budget if we can, because it's going very well for us.

Blake Fernandez - Howard Weil Incorporated, Research Division

Okay, fair enough. And then on the Eagle Ford, I guess I had maybe 2 separate questions. One, Roger, you said you're currently producing around 45,000 barrels a day. Could you remind us what your kind of "peak estimate" is?

And then secondly, on M&A, I mean, it sounds like you're focused on about 25,000 acres. There's obviously some other packages out there being marketed. I'm just curious if you see an opportunity to maybe core up a bit. Obviously, prices are well above what you originally paid, but it seems like maybe you could build out some additional running room?

Roger W. Jenkins

First on Eagle Ford. We had a pretty high rate today. It's a big complicated business, a lot of things running. We do have, running into some pad shut-ins where we shut in production to frac nearby wells, et cetera. So we're probably going to be in the low 40s and probably an increase in my mind of around 3,000-something BOE a quarter going forward for the next couple of quarters, Blake. People trick me on the daily question to get at the guidance all the time. I failed to answer that accurately.

On your other question about Pearsall, we have a very good 1 well and a very mediocre second well. We're fitting in some wells. I think, for us to do a deal or to look to do that, we need a little more information. And so we've strategically picked 2 or 3 spots that we're going to drill between now and the first quarter of '14. I think that would be the time to have that kind of discussion.

Blake Fernandez - Howard Weil Incorporated, Research Division

Okay, the last question I had. I'm not sure if this would be Steve or someone else. But can you -- if I recall the working capital on Milford Haven was about $500 million. I was hoping if you could kind of confirm that it's still in that range? And then secondly, if you had any estimate at all what it may cost to actually just close that facility and walk away?

Steven A. Cossé

Well that $500 million is -- remains still in the range. And, no, I really don't have any estimate what it would take to close it.

Operator

And we'll take our next question from Ray Deacon with Brean Capital.

Raymond J. Deacon - Brean Capital LLC, Research Division

Roger, I had a benchmarking question about the marketing side. I guess, if you look at the retail margin and the gasoline margin in the quarter, where do you think that would stack up relative to your peers'?

Roger W. Jenkins

Hold up there, Ray. I'm an upstream guy, but I got a downstream guy right here with me.

Unknown Executive

Well, our margin on fuel for the quarter just ended was $0.156 per gallon. Most of our peers, I would say, we are taking a lower-price position on the street, day in and day out. That's where we target our customers in front of Walmart. So we would expect to have, on average, lower margins. That said, some of our competitors buy branded fuel, and pay -- have a higher cost of goods sold, where we're buying on the spot market and typically buying at a lower cost of goods. So you would have to go through to make those adjustments apples-to-apples, who's got the lower cost of goods sold. We're typically going to be in that space. But we're also going to have, on average, lower street prices to most of our public comps.

Raymond J. Deacon - Brean Capital LLC, Research Division

Got it. Got it. Great. And I guess, Roger, one more question, I guess, in terms of your thinking on 2014, a few months past the Analyst Meeting. I guess, has there been any shifting in your mind in terms of capital based on either seismic in Vietnam or, I guess, anything else or...

Roger W. Jenkins

No, it's [indiscernible] is lumpy like any global explorer. Our CapEx that we had just for the upstream business should be the same as AGM, pretty close. We have to add on, of course, the corporate part of us being alone at that time, which our presentation didn't include. But a $400-million- to $500-million-a-year type exploration program among all the types of exploration, both seismic and wells, that's our goal. Quite frankly, it's tougher to deliver. A lot of rigs are late, a lot of rigs are going to the right, rigs we're waiting to receive from others. But in general, that's the goal and I see us headed in that same direction now.

Operator

[Operator Instructions] And we'll take our next question from Pavel Molchanov with Raymond James.

Pavel Molchanov - Raymond James & Associates, Inc., Research Division

First, on the comment you guys made about the board has not yet made a decision on the retail spin off. Is that just a formality at this point, or is there actually some viable course of action that you're contemplating besides a spin-off?

Steven A. Cossé

Well, I don't want to characterize any board decision as sort of pro forma but ask again. Ask that question next week and I think we'll be prepared to answer it for you.

Pavel Molchanov - Raymond James & Associates, Inc., Research Division

Okay, understood. On the Dufresne prospective, if I'm pronouncing that right, in Australia. Do you have a predrill estimate for that?

Roger W. Jenkins

Yes, it's -- hang on one second. I got it right here in my notes. We've had it in our AGM. It should be the same, but it's 2 to 2.8 TCF gross, which should be 0.4 to 0.6 TCF for Murphy there.

Pavel Molchanov - Raymond James & Associates, Inc., Research Division

Okay. And who's the operator there?

Roger W. Jenkins

Total.

Pavel Molchanov - Raymond James & Associates, Inc., Research Division

Total, okay.

Operator

And we'll take our next question from Guy Baber with Simmons & Co.

Guy A. Baber - Simmons & Company International, Research Division

I wanted to ask about the Kakap-Gumusut full field development project. Pretty important for you all, for your 2014 target. Can you just provide a little bit more detail around confidence levels around start-up timing? And then also is that expected to ramp to peak capacity through the course of 2014? Any more color you could put on that will be helpful.

Roger W. Jenkins

Yes, I feel better about it, Guy, because we -- the facility is offshore. And when you're in a deepwater development business, first step is getting them offshore. It's offshore. It's moored. The production risers are being installed. There's like 8 to 10, I forget the count, producing wells in the field. Two of which are flowing to our facility now. The wells are a common-type completion technology. We flowed them now for several months, almost a year. We have good success, some very high rates from the wells. The wells are very prolific. So to me, the start up before the end of the year is very much there. And Barry's got the guidance for '14 and I'll let him speak to that. But I feel good about the project coming forward. You can look on the horizon and see it today from our facility, which is good.

Barry Jeffery

And, Guy, just going back to Analyst Day numbers, which I'll balance to here. Next year, we were showing at just a shade under 10,000 barrels a day our share, with '15 taking it up in the '14 range. So there's still a bit of growth into '15 from '14 as everything comes on.

Operator

And we'll take our next question from Evan Calio with Morgan Stanley.

Evan Calio - Morgan Stanley, Research Division

Just a couple of quick ones for me. Any update on the potential return of the Syncrude upgrader from unplanned maintenance? I thought that should be back in early August.

Roger W. Jenkins

It's supposed to be in August. And that's what we've been told and planning on that cautiously, I'll say. But that's what we planned. You're right.

Evan Calio - Morgan Stanley, Research Division

Understood. I know you mentioned progress on U.K. asset sale yet. Any timing expectation, final sale there for 2013? I know that's been going on for awhile now.

Steven A. Cossé

It's been going on for a great long time. And for that reason, I think I'm going to decline to give you an estimate. I think, if we have something to disclose, we'll -- you'll hear a great shout of great joy from -- all the way from here to wherever you are.

Evan Calio - Morgan Stanley, Research Division

And I guess, additionally on that asset sale. I mean, do you think about those proceeds as a potential reload for the buyback? Or exit [ph] as you pull more into free cash flow neutrality?

Kevin G. Fitzgerald

Well, we certainly look at it. This is Kevin. Once that deal ends, we'll certainly look at what our options are, and all of those would be on the table. We'll just see exactly what the timing is and where we are at that point in time. You got to remember, I've got to bring that money back from overseas, so I could have some time depending on just how it all works out.

Evan Calio - Morgan Stanley, Research Division

Well, great. Understood, understood. And lastly, on Cameroon, what is the -- what do you estimate the commercial threshold for that prospect is? I know, I think you mentioned the P50 was 300 million barrels?

Roger W. Jenkins

I imagine [indiscernible] around 100 million in a rank one-off place like that should work. That's very careful delineation and not over delineate at that size to get your F&D too high. But it would be -- these wells are not expensive to drill like a Gulf well, so hopefully, it'll be that type of size in my mind.

Operator

[Operator Instructions] It appears there are no further questions at this time. Mr. Steven Cossé, I'd like to turn the conference back to you for any additional or closing remarks.

Steven A. Cossé

Thank you. I'd just thank everyone one more time for participating in our call. We have particularly enjoyed this conference call, as we would with any good quarter as we recently reported. But stay tuned. We expect to have some announcements probably as early as next week. So again, I thank everyone for participating.

Operator

And that does conclude today's conference. We thank you for your participation.

NEWS RELEASE

Murphy USA Inc. Reports Preliminary Fourth Quarter And Annual 2014 Results

El Dorado, Arkansas, February 4, 2015 - Murphy USA Inc. (NYSE: MUSA), a leading marketer of retail motor fuel products and convenience merchandise, announced today financial results for the quarter and year ended December 31, 2014. Key highlights include:

- Income from continuing operations of $98.3 million ($2.13 per diluted share) for Q4 2014 ($29.5 million or $0.63 per diluted share for Q4 2013) and $243.1 million ($5.24 per diluted share) for the full year 2014 ($156.3 million or $3.34 per diluted share for 2013)
- Retail fuel margins averaged 24.6 cents per gallon (cpg), the highest quarterly margin since 2008, and retail fuel volumes grew by 2.7% per site for the quarter; on an annual basis retail fuel margins were 15.8 cpg and retail fuel volumes grew by 0.7% per site
- Total merchandise gross margin dollars grew 11.3% in Q4 2014 compared to the prior year quarter and were up nearly 6.4% on an average per store month (APSM) basis for the current quarter; for the full year, total merchandise gross margin grew $19.8 million or 7.0% (2.9% on an APSM basis)
- Operating income from the Hereford ethanol plant was $4.1 million in Q4 2014 ($2.8 million in Q4 2013) due to improved efficiency in operations and improved yields; full year 2014 operating income was a record $20.1 million ($2.9 million in 2013) due to a 3% improvement in yield and higher crush spreads
- New stores added in the quarter totaled 24 to bring the full year count to 60 new stores

Three-month results

For the three month period ended December 31, 2014, the Company reported income from continuing operations of $98.3 million or $2.13 per diluted share on revenues of $3.61 billion. Income from continuing operations was $29.5 million, or $0.63 per diluted share in the same period in 2013 on revenues of $4.19 billion. Average retail fuel prices for the fourth quarter 2014 (including taxes) were $2.67 per gallon versus $3.11 per gallon in the same period of 2013. Net income for the three month period ended December 31, 2014 was $98.3 million as there were no discontinued operations in the current quarter compared to net income of $93.6 million, or $2.00 per diluted share, for the comparable period in 2013, which included $64.2 million of income from discontinued operations. The improved results in continuing operations for the current quarter were primarily driven by significantly higher retail fuel margins and higher retail fuel volumes along with higher merchandise margin dollars, partially offset by lower product supply and wholesale gross margins. The current year quarter includes an after-tax benefit of $6.0 million from the settlement of an outstanding legal case and $9.8 million in benefits related to tax contingencies and other matters. Cash and cash equivalents at the end of December 2014 were $328.1 million.

"The fourth quarter topped off an outstanding first year as a standalone company," said President and CEO Andrew Clyde. "We set and achieved ambitious goals for the year around site growth, merchandise and fuel margin expansion, and cost leadership. We look forward to continuing our performance and execution track record in 2015 and returning additional value to our shareholders." said Mr. Clyde.

Adjusted EBITDA (this non-GAAP measure is described and reconciled to the corresponding GAAP measure in the Supplemental Disclosure section of this release) was $165.7 million for the three month period ended December 31, 2014, compared to $78.2 million for the same period in 2013.

Total retail fuel volumes increased 7.5% with 1.04 billion gallons sold in the 2014 quarter compared to 0.97 billion gallons in the comparable 2013 quarter. Retail fuel volumes sold on an APSM basis were 277,221 gallons in the 2014 period compared to 270,024 gallons in the 2013 period, an increase of 2.7%. Retail fuel margins (before credit card expenses) were 24.6 cpg in the 2014 quarter compared to 10.4 cpg in the 2013 period, an increase of 14.2 cpg that led to an increase in fuel gross margin dollars of $155 million. A significant decline in wholesale prices was the primary driver behind the improved results. Total product supply and wholesale margin dollars excluding Renewable Identification Numbers (RINs) were a negative $46.1 million in the 2014 period compared to income of $27.9 million in the same period of 2013. During periods of sustained price changes, our practice of ratably purchasing bulk supply to replace volumes sold through our retail and wholesale network can result in a market swing that has a financial impact. We experienced such a market decline during the fourth quarter of 2014 and this had a negative financial impact. Also impacting operating income for the three months ended December 31, 2014 was income generated by the sale of RINs of $26.8 million compared to $16.6 million in the 2013 period. During the current period, 54 million RINs were sold at an average selling price of $0.49 per RIN.

Total merchandise margin dollars increased by 11.3% in the 2014 quarter compared to the prior year. Merchandise margins for the quarter ended December 31, 2014 was 14.4% compared to 13.3% for the same period in 2013. For the quarter, tobacco products showed the highest increase with cigarette margins improving 6.3% on an APSM basis. Smokeless and other tobacco products also had strong improvements. Non-tobacco products continued to show increases in both margin dollars and total sales as key promotions with beverages and salty snacks among other categories showed favorable results in the current period. For the current quarter, merchandise revenues were $549 million compared to $534 million for the 2013 period, an increase of $15.6 million. For the current quarter, total non-tobacco sales dollars increased 10.7%, with the largest increases shown in dispensed beverages, salty snacks and lottery/lotto, while margin dollars increased 9.8%. Total merchandise margin dollars on an APSM basis for the quarter were up $1,263 per site due to increases in tobacco margin dollars of 7.3% combined with a 4.9% increase in non-tobacco margin dollars.

Total station and other operating expenses were $133.9 million for the quarter ended December 31, 2014, compared to $125.3 million for the same period in 2013. On an APSM basis, the expenses applicable to retail increased 3.3% period over period. Excluding credit card expenses, station operating expenses on an APSM basis increased 4.4% in the current quarter compared to the same period in the prior year. The largest area of increase in site operating expenses during the current quarter was related to maintenance expense as the 2014 quarter contained higher charges for site upgrades and repairs to reinvest in our brand image. Selling, general and administrative (SG&A) expenses in the current quarter were $33.0 million compared to $27.6 million in the same period of 2013. SG&A expense for the current quarter was higher than Q4 2013 primarily due to higher employee and employee benefit related costs. Included in the station and other operating expense and SG&A expense totals above are $5.1 million and $5.2 million of combined operating expense and SG&A costs for the three months ended December 31, 2014 and 2013, respectively, for product supply and wholesale operations.

The Company's ethanol plant in Hereford, Texas, was profitable for the fourth quarter of 2014, generating $4.1 million in operating income compared to operating income of $2.8 million in Q4 2013. The improved results in the current quarter were the result of an 8.4% increase in annual throughput rates and improved yields combined with direct cost reductions following the planned maintenance shutdowns during first and third quarter 2014.

Interest expense was lower in the fourth quarter 2014 compared to the prior year quarter by $1.3 million. There was no interest expense on the prior term loan in the current period as it was paid off in May 2014.

Capital expenditures for continuing operations for the quarter ended December 31, 2014 were $54.2 million compared to $42.9 million in 2013. Of those capital expenditures, in the current quarter, $39.8 million were for retail growth and $9.6 million were spent on retail maintenance items. The remaining balance of the capital expenditures was in our ethanol and corporate areas. Cash flow from operating activities was $89.1 million in the current quarter compared to a negative $13.3 million in the same period in 2013. Free cash flow (this non-GAAP measure is described and reconciled to the corresponding GAAP measure in the Supplemental Disclosure section of this release) for the period was $34.9 million compared to a negative $56.2 million in the prior year period. The increase in the current period was due to higher net income and changes in working capital.

Annual results

For the full year ended December 31, 2014, the Company reported income from continuing operations of $243.1 million or $5.24 per diluted share, on revenues of $17.2 billion compared to $156.3 million and $3.34 per diluted share in the same period in 2013 on revenues of $18.1 billion. Average retail fuel prices for the annual 2014 period (including taxes) were $3.15 per gallon versus $3.32 per gallon in 2013, which contributed to the decrease in revenue in the current year. Net income for the twelve months ended December 31, 2014, was $243.9 million or $5.26 per diluted share, compared to net income of $235.0 million, or $5.02 per diluted share, for the same period in 2013. The higher results in continuing operations for 2014 were primarily driven by higher retail fuel margins and volumes, improved results from the Hereford ethanol plant, and higher merchandise gross margin dollars in 2014 partially offset by lower contribution from product supply and wholesale operations. The current year includes an after-tax benefit of $10.9 million from a LIFO decrement in the period, a state tax benefit of $6.8 million, an after-tax benefit of $6.0 million from the settlement of an outstanding legal case and $9.8 million in benefits related to tax contingencies and other matters while 2013 had no comparable adjustments. Income from discontinued operations in 2014 contain the final adjustments to working capital from the sale of the Hankinson plant, resulting in a gain of $0.8 million ($0.02 per diluted share), net of tax, for the current year.

Adjusted EBITDA (this non-GAAP measure is described and reconciled to the corresponding GAAP measure in the Supplemental Disclosure section of this release) was $474.9 million for the year ended December 31, 2014, compared to $340.1 million for 2013.

Total retail fuel volumes increased 4.8% with 3.98 billion gallons sold in 2014 compared to 3.80 billion gallons in the 2013 period mainly due to 60 new sites opening in 2014. Retail fuel volumes sold on an APSM basis were 270,416 gallons in the 2014 period compared to 268,458 gallons in the 2013 period. Retail fuel margins (before credit card expenses) were 15.8 cpg in 2014 compared to 13.0 cpg in 2013, an increase of 2.8 cpg. Year-to-date margins and volumes were impacted during the period by wholesale price volatility as the first six months were relatively flat followed by significantly declining wholesale prices in the latter half of 2014. Per site fuel volumes also reflect one additional partial month of the Walmart 15 cent/10 cent fuel discount program in 2014 compared to 2013. Total product supply and wholesale margin dollars excluding RINs were $13.5 million in the 2014 period compared to $54.2 million in the same period of 2013. We experienced sustained wholesale price declines during the latter half of 2014 that caused a negative financial impact due to our practice of ratably acquiring bulk supply to replace retail and wholesale volumes sold through our network. The 2014 amount includes a Q1 benefit of $17.8 million related to a LIFO decrement due to a decision to run a leaner fuel supply chain, which caused liquidation of inventories that were not restored at year-end. Also impacting operating income for the twelve months ended December 31, 2014 was income generated by the sale of RINs of $92.9 million compared to $91.4 million in the 2013 period. During the current period, 195 million RINs were sold at an average selling price of $0.48 per RIN.

Total merchandise margin dollars increased by $19.8 million or 7.0% in the twelve months ended December 31, 2014 compared to the prior year. Merchandise margins for the twelve months ended December 31, 2014 was 14.0% compared to 13.1% for the same period in 2013. Non-tobacco products continued to show increases in both margin dollars and percentage of total sales as certain promotions with beverages, candy and salty snacks among other categories showed favorable results in the current year. For the current year, merchandise revenues of $2.16 billion were slightly higher than the 2013 period. For the current year, total non-tobacco sales dollars increased 9.6%, with the largest increases shown in dispensed beverages, alternative snacks and salty snacks, while margin dollars increased 11.1% primarily due to increased margins related to dispensed beverage, beer, wine and liquor and general merchandise. On an APSM basis, total merchandise sales were down 3.8% with tobacco products down 6.0%, partially offset by a 5.4% increase in non-tobacco sales. Merchandise margin dollars on an APSM basis for the year were up 2.9% with tobacco margin dollars up 0.5%, combined with an increase in non-tobacco margin dollars of 6.9%. Within the tobacco categories, both smokeless (7.4% increase) and other tobacco products (30.3% increase) were up significantly on a margin basis due to improved execution and a more advantageous product mix.

Station and other operating expenses were $521.5 million for the twelve months ended December 31, 2014, compared to $493.7 million for the same period in 2013. On an APSM basis, the expenses applicable to retail increased 1.7% period over period. Excluding credit card expenses, station operating expenses on an APSM basis increased in the current year by 0.9% compared to the prior year. The largest area of increase in other operating expenses during the current period was related to maintenance expense, as the 2014 period contained higher charges for site upgrades and repairs to reinvest in our brand image. SG&A expenses in the current year were $120.9 million compared to $133.0 million in the same period of 2013. The prior year contained $15.4 million of spin-related and other one-time, nonrecurring costs. Without the prior year nonrecurring costs, SG&A expense for the current year was 2.8% higher than the same period in 2013. The primary reason for the increase other than the nonrecurring costs is higher employee related charges. Included in the station and other operating expense and SG&A expense totals above are $19.1 million and $20.0 million of combined operating expense and SG&A costs for the twelve months ended December 31, 2014 and 2013, respectively, for product supply and wholesale operations.

The Company's ethanol plant in Hereford, Texas generated a record $20.1 million in operating income compared to operating income of $2.9 million in 2013. The improved results at Hereford in the current year were the result of improved operations with 3% higher yields for the year (2.76 in 2014 versus 2.67 in 2013) and significantly higher crush spreads. The improved efficiencies and higher yields have resulted since the completion of the planned maintenance shutdown during the first and third quarters of 2014.

Interest expense is higher in the full year 2014 compared to the prior year period by $22.1 million due to the issuance in mid-August 2013 of the $500 million Senior Notes and the funding of a $150 million term loan under our credit facilities. As these borrowings did not exist for the full prior period, there is a large increase in interest expense resulting from these transactions partially offset by the early repayment of the term loan in May 2014. Further, the 2014 period contains a charge of $1.9 million related to a write-off of deferred debt costs for the recently repaid term loan.

Capital expenditures for continuing operations for the twelve months ended December 31, 2014 were $138.9 million compared to $172.0 million in 2013. Of those capital expenditures, $112.9 million were for retail growth and $18.3 million were spent on retail maintenance items. The remaining balance of the capital expenditures was in our ethanol and corporate areas. The 2013 period contained $41.8 million in expenditures related to a deposit on land to be acquired from Walmart as a part of the December 2012 agreement. Cash flow from operating activities was $305.6 million in the current year compared to $356.7 million in the same period in 2013. Free cash flow (this non-GAAP measure is described and reconciled to the corresponding GAAP measure in the Supplemental Disclosure section of this release) for the period was $166.7 million compared to $192.2 million in the prior year period. The decrease in the period was due primarily to lower operating cash flows for the period partially offset by lower capital expenditures due to timing of station builds.

Station Openings

During the fourth quarter of 2014, Murphy USA opened 24 retail locations to bring the 2014 total to 60 new sites. In 2013, we opened 39 new retail locations. As of December 31, 2014, Murphy USA has 1,263 total locations in operation that include 1,056 Murphy USA sites and 207 Murphy Express sites. During 2014, 43 of the 60 completed stores were our new 1,200 sq. ft. or larger format.

Cash Flow and Financial Resources

For the quarter ended December 31, 2014, cash flows provided by operating activities were $89.1 million, compared to negative $13.3 million in the 2013 period. The increase in cash provided by operating activities over 2013 of $102.4 million was due to higher net income and lower declines in working capital. The total cash flow provided by operating activities included no cash flows from discontinued operations in the fourth quarter of 2014 and $13.7 million from discontinued operations in 2013. Cash flows required by investing activities in the fourth quarter of 2014 were $54.1 million, which consisted primarily of capital expenditures for property additions while the 2013 period generated cash of $129.9 million, which was due to the sale of Hankinson in 2013. Cash flows used in financing activities were $1.2 million in the fourth quarter of 2014 compared to cash provided by financing activities of $84.4 million in the 2013 period.

At December 31, 2014, we had no borrowings under our asset-based loan facility, which was put in place with an initial borrowing base limit of $450.0 million in mid-August 2013 and remains undrawn. Total debt at December 31, 2014 of $492.4 million (net of unamortized debt discount) consisted solely of the $500.0 million Senior Notes and is not inclusive of the $328.1 million in cash and cash equivalents the Company had at December 31, 2014.

The Company's effective tax rate is lower than normal in the current quarter and twelve months ended December 31, 2014 due to the discrete state income tax benefit of $6.8 million, recorded in the second quarter 2014 and the $9.8 million in tax benefits related to settlement of tax contingencies and other matters that were recorded in the fourth quarter 2014. However, we currently estimate that our ongoing effective tax rate will be approximately 38.5% for 2015.

"Record Q4 fuels margins put an exclamation point on what was already outstanding full year results," said Mr. Clyde. "The challenge for 2015 will be navigating through periods of tight margins when prices rebound. In this environment, we expect our low cost business model and capital structure to prove its resilience as we continue to execute our strategy of organic growth."

Earnings Call Information

The Company will host a conference call on February 5, 2015, at 10:00 a.m. Central time to discuss fourth quarter 2014 results. The conference call number is 1 (877) 291-1367 and the conference number is 61597044. A live audio webcast of the conference call and the earnings and investor related materials, including reconciliations of any non-GAAP financial measures to GAAP financial measures and any other applicable disclosures, will be available on that same day on the investor section of the Murphy USA website (http://ir.corporate.murphyusa.com). Online replays of the earnings call will be available through Murphy USA's website and a recording of the call will be available through February 9, 2015, by dialing 1(855) 859-2056 and referencing conference number 61597044.

Forward-Looking Statements

Certain statements in this news release contain or may suggest "forward-looking" information (as defined in the Private Securities Litigation Reform Act of 1995) that involve risk and uncertainties, including, but not limited to anticipated store openings, fuel margins, merchandise margins, sales of RINs and trends in our operations. Such statements are based upon the current beliefs and expectations of the Company's management and are subject to significant risks and uncertainties. Actual future results may differ materially from historical results or current expectations depending upon factors including, but not limited to: our ability to continue to maintain a good business relationship with Walmart; successful execution of our growth strategy, including our ability to realize the anticipated benefits from such growth initiatives, and the timely completion of construction associated with our newly planned stores which may be impacted by the financial health of third parties; our ability to effectively manage our inventory, disruptions in our supply chain and our ability to control costs; the impact of any systems failures, cybersecurity and/or security breaches, including any security breach that results in theft, transfer or unauthorized disclosure of customer, employee or company information or our compliance with information security and privacy laws and regulations in the event of such an incident; successful execution of our information technology strategy; future tobacco or e-cigarette legislation and any other efforts that make purchasing tobacco products more costly or difficult could hurt our revenues and impact gross margins; efficient and proper allocation of our capital resources; compliance with debt covenants; availability and cost of credit; and changes in interest rates. Our SEC reports, including our Annual Report on our Form 10-K for the year ended December 31, 2014 (when available) contain other information on these and other factors that could affect our financial results and cause actual results to differ materially from any forward-looking information we may provide. The company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances.

Contact: Investors/Media

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Click below to access financial schedules:

Q4 Earnings Release Schedules

Casey's General Stores Management Discusses Q1 2014 Results - Earnings Call Transcript

Casey's General Stores (NASDAQ:CASY)

Q1 2014 Earnings Call

September 10, 2013 10:30 am ET

Executives

William J. Walljasper - Chief Financial Officer, Principal Accounting Officer and Senior Vice President

Analysts

Karen F. Short - BMO Capital Markets U.S.

Benjamin Brownlow - Raymond James & Associates, Inc., Research Division

Ronald Bookbinder

Anthony C. Lebiedzinski - Sidoti & Company, LLC

John R. Lawrence - Stephens Inc., Research Division

Damian Witkowski - Gabelli & Company, Inc.

Craig Hoagland - Anderson Hoagland & Co.

Operator

Good day, ladies and gentlemen, and welcome to the First Quarter Fiscal 2014 Casey's General Stores Earnings Conference Call. My name is Lacey, I'll be your coordinator for today. [Operator Instructions] As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the presentation over to your host for today, Bill Walljasper, Chief Financial Officer. Please proceed.

William J. Walljasper

Thank you, Lacey. Good morning, and thank you for joining us to discuss Casey's results for the quarter ended July 31. I'm Bill Walljasper, Chief Financial Officer; Bob Myers, President and Chief Executive Officer, is also here.

Before we begin, I'll remind you that certain statements may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. As discussed in the press release and the 2000 Annual Report, such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from future results, expressed or implied by those statements.

Casey disclaims any intention or obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

I'll take a few minutes to summarize the results of the first quarter, and then afterwards, we'll open it up for questions about our results and outlook.

We were off to a great start in fiscal 2014. Diluted earnings per share for the first quarter were $1.43 compared to $1.01 for the same quarter a year ago. The results reflect strong gains throughout all categories, resulting in over a 20% increase in gross profit compared to the same quarter a year ago.

Before we go over each category to give more detail on what is driving these results, I will remind everyone that we will release details of August same-store sales on Monday, September 16. However, all categories in August continue to trend positive.

We experienced a very favorable fuel margin environment for the quarter, resulting in a record fuel margin of $0.221 per gallon. Our average margin for the past 4 years has been $0.145 per gallon. The margin benefited from a rise in the value of renewable fuel credits, commonly known as RINs, during the quarter.

During this time, we sold approximately 12.6 million RINs at an average price of $1.02. This represented about $0.03 per gallon improvement to the fuel margin. Currently, RINs are trading around $0.70. The Fuel Saver program that we implemented in December of 2012, in partnership with Hy-Vee, continues to do very well.

Same-store gallons in stores participating in this program were up 5% in the first quarter, compared to approximately 1% gain in stores outside of the program. The combination of these resulted in same-store gallons increase of 3.2% for the quarter.

Total gallons sold for the quarter increased 8.2% to 426.5 million. The average retail price during this time was $3.55 per gallon compared to $3.38 in the same quarter last year. Gasoline gross profit in the quarter was up over 60% to $94.3 million.

Sales in the Grocery & Other Merchandise category were up nearly 10% to 200 or $423.6 million in the first quarter. Same-store sales were above goal, up 6.1%. Sales were strong across all areas of the category, especially beer and cigarettes, both experiencing double-digit sales increases during the quarter compared to a year ago.

We believe we are gaining market share in the cigarette area as a result of retail price adjustments we made last fiscal year. The average margin in the quarter was down about 70 basis points to 32.7% due to the price reductions just mentioned and a one-time gross profit benefit of $3.5 million last year related to the Illinois cigarette tax change.

Without this benefit, the Grocery and General Merchandise category margin would've been up approximately 20 basis points. We are pleased with the gains in the category and anticipate continued revenue growth throughout this fiscal year as we benefit from the rollout of additional operational initiatives and new store openings.

Prepared Food & Fountain category continued its strong performance. Total sales were up 16.5% to $166.3 million for the quarter. Same-store sales in the quarter were up 11.9%, with an average margin of 61.8%, down about 165 basis points from the same quarter a year ago, primarily due to higher commodity costs.

The average cost of cheese this quarter was $2.04 per pound compared to $1.81 per pound a year ago. The average cost of cheese is currently approximately $2.05 per pound. Gross profit dollars in the quarter were up 13.5% to $102.8 million in this category.

Operating expenses in the quarter were up 14% to $216 million. Nearly 55% of this increase was due to a rise in wages, primarily related to operating 51 more stores this quarter compared to the same time period a year ago, as well as the increase in at the operational initiatives described in the press release.

Included in the wages was a $3 million increase in the bonus accrual due to the strong performance in the quarter. Also due to the increase in gas gallons sold during this period, we experienced approximately a $3.2 million rise in credit card fees. Without these 2 items, operating expenses would've been up approximately 10.8%.

On the income statement, total revenue in the quarter was $2.1 billion, up 13.2%. The effective tax rate this quarter was higher than the first quarter of last year, primarily due to a tax benefit recorded last year that's not occurring in the current year. We expect our effective tax rate to be around 37.5% for the fiscal year.

Our balance sheet continues to be strong. At July 31, cash and cash equivalents were $190.9 million, up $41.3 million at the end of the fiscal year, primarily due to the recent debt we incurred. Long-term debt, net of current maturities, was $804 million and shareholder equity rose to $653.5 million, up $51.2 million for the fiscal year end.

We generated $138.2 million in cash flow from operations, and capital expenditures for the quarter were $74.1 million compared to $71.8 million a year ago in the same period. We expect capital expenditures to increase as new store construction accelerates and we close on the acquisitions mentioned in the press release.

This quarter, we opened 4 new store constructions, acquired 3 stores and replaced 3 more. We also had 19 REIT commitments for acquisitions that we expect to close on in the near future. We are optimistic about the acquisition pipeline going forward.

Additionally, we have 31 new stores and 18 replacement stores under construction. We anticipate opening 40 to 45 new store constructions by the end of the fiscal year. And our store count at the end of this quarter was 1,749.

In addition to the unit growth, we also converted 56 more locations to a 24-hour format, added 57 more stores to the pizza delivery program and completed 1 major remodel during the first quarter. We plan on adding a total of 100 stores to the pizza delivery program by the end of the fiscal year. We will also convert at least 100 stores to 24 hours and complete 25 major remodels by the end of the fiscal year.

That completes our review of the quarter. As I mentioned previously, we will release August same-store sales on Monday, September 16. We will now take your questions.

Question-and-Answer Session

Operator

[Operator Instructions] And our first question will come from the line of Karen Short with Deutsche Bank.

Karen F. Short - BMO Capital Markets U.S.

Just a couple of questions on some -- on margins. First question on your grocery margins. I'm looking at the up, kind of 20, approximately 20 basis points when you back out the one-time last year. Was there any inventory gain or anything? I know in the last quarter, there were some discussion about some benefit on the inventory side from the increase in pricing.

William J. Walljasper

No. We did not have any price increase that ran through the Grocery and General Merchandise category. I mean, when you pull out that one-time benefit, you're correct, our margin would have been up about 20 basis points in spite of all the pricing decreases that we took in the prior year. Really, what's driving that is increased margin and contribution for ice, salty snacks, bread, cakes, just a number of things that are driving the overall margin even in light of those price decreases.

Karen F. Short - BMO Capital Markets U.S.

Okay. So that -- I mean, depending on the weather and things like that and sales, that should continue into the second quarter like we've cycled the tobacco pressures?

William J. Walljasper

Yes. The big chunk of the price decreases that we took last fiscal year occurred in October and November. So once we cycle those, we won't necessarily have that comparative headwind. It just have been pretty modest towards price decreases, such a coincidence at that time period.

Karen F. Short - BMO Capital Markets U.S.

Okay. And then on the Prepared Foods side, by my math, I guess, dairy or cheese kind of negatively impacted margins by about 90 basis points. I know there was some offset from coffee benefit. But anything else to point to in terms of Prepared Food margin pressure?

William J. Walljasper

There are a couple more items, albeit smaller than the cheese impact. But we had supplies that went up in the period as well as some meat costs that went up. And so the combination of all those would get you to that 165 bps down.

Karen F. Short - BMO Capital Markets U.S.

Okay. And then in terms of the RIN accounting, I guess if prices peaked in July, that's something that you would be showing in your August scuff [ph] margin, correct?

William J. Walljasper

Yes. The trigger and just to clarify, just the trigger for us as far as the timing goes, as we enter into the contract to sell at a definite price, that would be the period that, that benefit will go into. Now I will say it, in the month of July, as you probably know and many of you know, RINs spiked up to about $1.48. We did take advantage and did a mid-month sale in July and took advantage of that, which is why you got to that $1.02 average. Now they've since come back down that $0.70 range.

Karen F. Short - BMO Capital Markets U.S.

Okay, got it. That's helpful. And then just the last question. What was the absolute dollar of credit card fees in the quarter?

William J. Walljasper

Just about $3.2 million -- oh I'm sorry, yes, the $25.6 million.

Karen F. Short - BMO Capital Markets U.S.

$25.6 million, okay.

Operator

And our next question will come from the line of Ben Brownlow with Raymond James.

Benjamin Brownlow - Raymond James & Associates, Inc., Research Division

On the Hy-Vee program, that's obviously been extremely successful. Is there an opportunity to implement a similar program with another grocery? You guys looking into that at all?

William J. Walljasper

That's a great question, Ben. And I guess the answer would be, we're always looking for opportunity to grow our business. And so the Hy-Vee Fuel Saver program does have a pretty wide reach in impact. We have about roughly 1,200 stores that technically would be in the program, which leaves a significant amount that are not in the program. So we are continuing to look at opportunities to partner in and try to facilitate that area.

Benjamin Brownlow - Raymond James & Associates, Inc., Research Division

Okay. And I know you weren't previously seeing any carryover into a nonfuel transaction growth with that program. Is that still the case or has that changed at all?

William J. Walljasper

We're starting to gain a little bit of traction in that area, Ben. We're starting to see a little bit of uptick inside the store in relationship to the -- what I'll say, the fuel saver stores and the non-fuel saver stores. So we're encouraged by that type of uptick. We'll keep you posted as we go forward in that regard.

Benjamin Brownlow - Raymond James & Associates, Inc., Research Division

Okay, great. And just one more from me on the OpEx side. Can you just update us on your thoughts? Obviously, I guess if you back out the bonus accrual and the credit card fees, that up roughly 10.8% or 11%, was in line with your kind of low double-digit guidance for the year. Are you still comfortable with that low double-digit OpEx growth for the year? And just update us based on where you trended for the first quarter, how you're thinking about the outlook?

William J. Walljasper

Yes. To answer your question, yes, we still are comfortable with that outlook for the fiscal year. We just had -- as you might expect, as we have a very solid quarter, obviously, we have a bonus structure to reward our employees and that's part of that. So that's the piece of it. The credit card fee -- the retail fuel price only went up about 5%. Typically, when you see a spike in retail fuel price, you would see an increase in credit card utilization. But in this regard, with the RINs escalating as they did in the quarter, certainly, people are paying for the gasoline more with credit cards. And our transactions went up about 16% in the quarter. And so we will cycle over the implementation of the Fuel Saver program in December. And so you might see a little moderation there. Now the retail fuel price, Ben, could go any direction so it's hard to predict that. But to answer your question, overall, we feel pretty good about that low double-digit comment that you made.

Operator

And our next question will come from the line of Ronald Bookbinder with The Benchmark Company.

Ronald Bookbinder

Could you talk about a little bit more about the Fuel Saver program? Are you continuing to see that ramp up on your gallon comp even more than it was in the prior couple of quarters?

William J. Walljasper

We are, we are, Ron. As I mentioned, we implemented that back in December. And obviously, it takes a little bit of time to gain traction out there. But we have seen as, I would say, significant increases month over month since the Fuel Saver program was implemented. And so we're encouraged by that. I think the word's just getting out. The average savings on that program is roughly about $0.38 per gallon, so people are getting more and more excited about it. I think our partners there at Hy-Vee are also excited about the program. And so it's gone very well with respect to how we anticipated it rolling out.

Ronald Bookbinder

And you mentioned the RIN contracts in mid-July. Was there -- so was there any pull forward or a shift of RINs from August into July as you took that contract?

William J. Walljasper

Yes. Well, typically speaking, prior to this, we'd always sold roughly the first business day of the month, which would mean, for instance, say, we sold the first business day of July, those would be RINs that were acquired in the month of June. Now they would go into the July period because of that's when we got the agreement set up with the refiner. And so we are now looking to sell RINs more on, like a every 2-week basis. And so to answer your question, no, they wouldn't be necessarily in the month of August since we're doing what we're doing now.

Ronald Bookbinder

Okay. And could you talk a bit about your freestanding pizza format and how you think that might improve the branding of the pizza going forward and also help expand the delivery?

William J. Walljasper

Sure. I assumed you're referring to the Casey's Pizza Express?

Ronald Bookbinder

Yes.

William J. Walljasper

Yes. It's very new, Ron, as you know. I mean, we only have 1 store right now in a test mode. And many but that's not familiar with this. It's a concept where we pull out our Prepared Food operation out of our store, put it in a standalone operation, in this case, it happens to be within a strip mall. And so it is purely a carryout and delivery of the product. And our thought process on this, Ron, is basically trying to get the product into more people's hands. And I would say, we started that August 1, so we really only have about 1 month under our belt. We're encouraged certainly by the top line growth in that particular unit. Now for us, we need to make sure that we manage the wages in relationship to that concept. So we'll continue to monitor that, no different than we monitored, when we started rolling out the pizza delivery program. And to the extent that we see success in that, certainly anticipate continuing to roll that initiative out. It offers up a wide variety of opportunity we believe in the current market areas where we serve. So stay tuned on that. We'll give you more information as we get a little more time behind us.

Ronald Bookbinder

Okay. And just one last question. On fuel margin, could you give us any idea as to how things have been trending quarter-to-date?

William J. Walljasper

You mean in the second quarter?

Ronald Bookbinder

Yes.

William J. Walljasper

Yes, I wouldn't be able to give you any information in that regard. But certainly, you have to wait probably until Monday to get that statement.

Operator

And our next question will come from the line of Anthony Lebiedzinski with Sidoti & Company.

Anthony C. Lebiedzinski - Sidoti & Company, LLC

A couple of questions first on, on cigarettes. Can you give us what the Grocery & Other Merchandise comp would have been excluding cigarettes?

William J. Walljasper

Excluding cigarettes, see if I have it real handy here. I do not have that handy for you, but we certainly can get that up.

Anthony C. Lebiedzinski - Sidoti & Company, LLC

That's okay. And also you did mention in your press release you have been able to increase your market share for cigarettes. Is there anything you can quantify as far as what's your market share you believe to be at this point?

William J. Walljasper

Well, I -- maybe give you a little insight in that regard. The 2 big states that you might recall where we saw the largest impact was the State of Illinois and Missouri. Those 2 happen to be non-fair trade states. Illinois obviously is the one that had the Illinois state tax impact. We are now back -- we had about a 25%, 30% reduction in cartons in the State of Illinois. And so we are now with the price reductions that we took are back on pace with what we were prior to the Illinois state tax implementation. So we're encouraged by that. Now we have seen significant gains in carton movement in the state of Missouri subsequent to the price decreases that we took. Again, the majority of those occurred in October, November of last year. So I can tell you that cigarette same-store sales have been trending very strong in the past, probably I would say, 3 to 6 months. We anticipate that will continue going forward here.

Anthony C. Lebiedzinski - Sidoti & Company, LLC

Got it, okay. And with respect to cheese prices, I assume you have not locked in any cheese prices at this point, right?

William J. Walljasper

No, we have not. And just as a point of comparative, here in Q2, we'll be comparing against the $2.11 cheese cost a year ago. And then in Q3, we'll compare against $2.09 a year ago. So there's a potential slight tailwind in that comparative.

Anthony C. Lebiedzinski - Sidoti & Company, LLC

Got it, okay. And also I think for the quarter, you guys closed 7 stores. Any sort of rough figure as to what you expect as far as store closures for fiscal '14?

William J. Walljasper

We don't have any plans to close any stores at this point. Now there always could be a situation though when we do acquire small chains, we do tend to close some of those from time to time. But for existing store base, we don't have any plans in that regard.

Anthony C. Lebiedzinski - Sidoti & Company, LLC

Okay. And as far as your plans for a second distribution center, do you have any other updates on that?

William J. Walljasper

Well, we're in the final stages of that due diligence as far as location timing. I would expect in the next conference call, you'll hear quite a bit more detail on that. We should have that final due diligence piece wrapped up by that time and give you some more insight that time. But certainly, we're still on track.

Operator

[Operator Instructions] And our next question will come from the line of John Lawrence with Stephens.

John R. Lawrence - Stephens Inc., Research Division

Bill, would you comment a little bit, I guess, to follow on Ben's question about Hy-Vee, could you give us a little bit more as far as that traction goes, what's the first thing as they move from outside with the [ph] gas program and move inside? What are the first -- what does that basket look like initially? Is it food? Is it just drinks or a little clarity there.

William J. Walljasper

Well, I won't be able to give you a tremendous detail on that because it is preliminary, and I hate to mislead anybody in that direction. But some of the preliminary indications that we are seeing is, it's truly in the snack areas, the beverage package beverage areas that we're seeing traction. And so definitely look at fuel saver versus non-fuel saver. That's what's where we are seeing the immediate growth, I mean, we're -- primarily growth in the General Merchandise categories where we're seeing the uptick.

John R. Lawrence - Stephens Inc., Research Division

Okay, great. And secondly, to get to the rest of the store base from 1,200, what are the factors related to that? Does it have to do with competitiveness in the marketplace, pricing or et cetera?

William J. Walljasper

Are you talking about the Fuel Saver program?

John R. Lawrence - Stephens Inc., Research Division

Yes.

William J. Walljasper

You're talking about the Fuel Saver program?

John R. Lawrence - Stephens Inc., Research Division

Right.

William J. Walljasper

Yes. Really, for us to expand the Fuel Saver program beyond the current store base that we have, it would appear that either 1 or several things that have to happen and either our current partnership with Hy-Vee would have to accelerate their units in other parts of our market area, or else we would have to venture outside of our current market area, that is within the Hy-Vee Fuel Saver program, and look for another partner in that regard to utilize to do a similar-type program.

John R. Lawrence - Stephens Inc., Research Division

And last question, just competitively, you pretty much had a full summer now competing in some of those new markets like Northwest Arkansas, et cetera, with a pretty good competitor. I would assume that your feedback and results are solid, and you like what you see out of those markets.

William J. Walljasper

Yes, we definitely like what we see out of those markets. The comment that was made earlier in the narrative about 40 to 45 new stores by the end of the fiscal year as far as new store constructions go. We see a lot of those stores planned in the Arkansas area. We think the new markets that we began to penetrate last fiscal year, that being in Tennessee, Kentucky, a little bit more penetration in Arkansas and North Dakota, offer up a wide opportunity for us. So look for some penetration in those states going forward here in the next -- this fiscal year as well as next fiscal year.

John R. Lawrence - Stephens Inc., Research Division

Yes. And the last question and I know you said you'll give us some of this over the next call as far as the DC. But just in theory with distribution, and if you draw the circle for the right radius and distance for trucking, how far south and how far to the -- can you really get? Can you get all the way to the south end of Tennessee or into Alabama?

William J. Walljasper

Well, it's a great question, John. And you're right, I mean, logistically, looking at our current store base, the growth pattern, I mean, the second distribution center intuitively is going to be somewhere in the southeastern part of our region. That's still being finalized. But when that is finalized and the new distribution center is up and operational, definitely, you're going to be able to springboard further east into Tennessee and Kentucky and south for that matter. And really, it's going to be a situation of us looking at the competitive landscape dynamics in all of those areas to see where the opportunities present themselves, either acquisitions or new store construction. And we think -- we're excited about the future once that, that gets up and operational.

Operator

And our next question will come from the line of Damian Witkowski with Gabelli & Company.

Damian Witkowski - Gabelli & Company, Inc.

Bill, 2 quick questions. First on -- you sold 12.5 million RINs, I think, in the first quarter. So if you annualize that, that's about 50 million. Do you actually have that much capacity or is this a high quarter?

William J. Walljasper

It's a little bit inflated from the prior quarters because of that mid-July sale that we did. Now having said that, I'm going to step back a second and talk about that Fuel Saver program. And that Fuel Saver program, many of those stores -- the majority of those stores are located in the state of Iowa. And so to the extent that we're gaining traction in fuel sales in the state of Iowa, that will also increase the opportunity for RINs, because Iowa is really the only state where we secure the RINs because of the right blend legislation here. So that's a factor as to why you're seeing part of the acceleration. So over the last 3 fiscal years, we've averaged roughly about 43 million RINs sold. There's a good chance that we can obviously beat that number because of this program.

Damian Witkowski - Gabelli & Company, Inc.

And then just looking at your cents per gallon earned, even if you back out the RINs, so you go from $0.22 to $0.19, that's still pretty much a record, I think, or close to it.

William J. Walljasper

That's correct.

Damian Witkowski - Gabelli & Company, Inc.

What's driving -- I mean, what's driving that? Is it the -- I mean, is the environment improving?

William J. Walljasper

Well, we did have some volatility in cost throughout the period. And anytime that we do see a volatility in cost, it does provide opportunity to enhance your margin, especially in our market area where we see a little bit more rational retail pricing. And so what we're experiencing in a good share of our marketplace would be as the cost -- wholesale cost rises, our peers in our market area are very quick to respond with the retail price adjustments, and they're very delayed in their pullback when wholesale cost go down. So we have an environment that is, what I call much more rational, and we have that volatility, there's opportunities and that's what we really saw. And then on top of that obviously, it was a solid RINs environment.

Operator

[Operator Instructions] And our next question will come from the line of Craig Hoagland with Anderson Hoagland.

Craig Hoagland - Anderson Hoagland & Co.

Could you comment a little on how returns on the remodel program are going and how aggressive you might be rolling that out going forward?

William J. Walljasper

Well, returns are going much better than we -- in the first year that we rolled those out. And right now in the state of Illinois, we had a little bit of noise there with that Illinois state tax. So if you kind of exclude these -- the stores of Illinois impacted by that, we're in the double-digit after-tax returns for the remodels. So starting that program back a couple of years ago, coming into that, we were certainly anticipating that this initiative would have at least the same returns as acquisitions, which that would mean that your high single-digit after-tax return in the first year, to low double-digit in the second year, and that's what we're experiencing right now. So having said that, the remodel program was designed for a specific style of store, what we call E and G style stores. And we have roughly about 600 of those remaining. But not all of those would necessarily be candidates, but I guess the takeaway there is that we still have a vast opportunity for that program.

Craig Hoagland - Anderson Hoagland & Co.

And how many of those have you done so far?

William J. Walljasper

Right now, we're just a little over 220 right now, right in that area.

Craig Hoagland - Anderson Hoagland & Co.

Yes, okay. And are there other store types that you might come up with a similar or analogous program for?

William J. Walljasper

That's a great question, Craig, and yes, the answer is yes. We actually have taken this concept into C and D style stores, just a handful right now. So that's been pretty recent so we don't have a lot of ROI data on that.

Craig Hoagland - Anderson Hoagland & Co.

Okay. And you'll see how that goes and then decide from there?

William J. Walljasper

Correct.

Operator

Ladies and gentlemen, this concludes the question-and-answer portion of our call. I will now turn the call back over to Bill Walljasper for closing comments.

William J. Walljasper

Well, I'd just like to thank everyone who joined us this morning on the conference call. Look forward to discussing our future results as we move forward. Have a great day.

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may all disconnect. Good day, everyone.

From: Oil Express <oilexpress@opisnet.com>
Date: December 10, 2014 at 3:22:01 PM CST
To: Oil Express <oilexpress@announce.opisnet.com>
Subject: OIL EXPRESS ALERT: Surge in RINs Could Intensify Downward Pressure on Motor Fuel Rack Prices

Oil Express NEWS ALERT

Petroleum Marketing News As It Happens

2014-12-10 04:21:54 EST

Surge in RINs Could Intensify Downward Pressure on Motor Fuel Rack Prices

Gasoline marketers are multiple beneficiaries today, with the cost of gasoline blendstock in full retreat, together with lower ethanol values, and an ascent in D6 RIN values for ethanol.

The gasoline and ethanol dips aren't surprising given stunning losses for petroleum futures and corn, but the RIN surge is a bit puzzling. Reports of rumors about a decision on RINs emanating from Washington proved to be unfounded, so it's assumed that some refiners are doing some last-minute book squaring for 2014 RINs.

In any case, prices for the D6 ethanol RINs surpassed 62cts briefly around midday. In markets like New York Harbor, that could lead to some rack prices for RFG-10% or E10 in the $1.62/gal neighborhood, since some refiners have been willing to pass along almost all of the RINs credit in posted prices. The cost of blending spot RBOB with 10% ethanol and passing along the 100% of the RIN value added up to about $1.62/gal at presstime, compared with posted numbers mostly above $1.75/gal.

Other markets could also see rack prices dip thanks to this "triple whammy" of lower spot gasoline, cheaper ethanol and higher RINs.

--Tom Kloza, tkloza@opisnet.com

To: Grundler, Christopher[grundler.christopher@epa.gov]
Cc: EthanolRFA[ethanolrfa@aol.com]; Machiele, Paul[machiele.paul@epa.gov]; Korotney, David[korotney.david@epa.gov]; Hengst, Benjamin[Hengst.Benjamin@epa.gov]
From: Geoff Cooper
Sent: Thur 3/26/2015 3:27:34 PM
Subject: RE: Cellulosic Waiver Credit/D3 RIN Follow-Up

Chris,

Good morning. On behalf of Abengoa, DuPont, and Quad County Corn Processors, we'd like to request another meeting with you and key staff on the subject of D3 RIN market challenges and cellulosic waiver credits. Our group has done quite a bit of additional thinking on the issue, and in light of yesterday's EPA rulemaking notice on CWCs, it seems that the time is right to sit down again with your group. The most convenient dates for our folks are April 7 (pm), April 8 (am), or April 9 (late pm). Please let us know if any of those dates/times might work for you.

Best regards,

Geoff

Geoff Cooper

Senior Vice President

Renewable Fuels Association

16024 Manchester Rd. Suite 200

Ellisville, MO 63011

O: 636.594.2284

C: 636.399.4928

From: Geoff Cooper
Sent: Friday, January 16, 2015 11:52 AM
To: 'Grundler.christopher@Epa.gov'
Cc: EthanolRFA; Brooke Coleman
Subject: Cellulosic Waiver Credit/D3 RIN Follow-Up

Hello Chris,

First of all, thanks for agreeing to speak at the National Ethanol Conference. We are excited and honored to have you participating again.

On another note, I wanted to (belatedly) follow up on our meeting with you in late November regarding D3 RINs and cellulosic waiver credits (CWCs). Following that meeting, our group has done some additional thinking about how administration of the waiver credit program could be slightly altered to improve liquidity in the D3 RIN market and provide more certainty to D3 RIN generators. We've also reviewed the statute and rulemaking history to form an opinion on EPA's authorities around the waiver credit program. Brooke and I distributed a memo last week to our companies outlining that opinion. (I am sharing the memo here as a point of information, and we would be interested to know whether EPA has revisited this issue and whether our views align).

Last week, Paul Argyropoulos sent Bob a copy of EPA's November response to CRNG's letter on the D3 RIN/CWC subject. One passage of the letter, in particular, caught our attention: "While we verified that some cellulosic biofuel producers have retained ownership of cellulosic biofuel RINs, this was not universal. A substantial number of cellulosic biofuel RINs are being held by parties other than the original fuel producer. This is an indication that some cellulosic biofuel producers have been able to sell their RINs."

While it may be true that "some cellulosic biofuel producers have been able to sell their RINs," it seems highly likely to us that those are producers who are able to readily detach the RINs from the fuel (e.g., biogas) and sell the RINs unencumbered on the market. As you know, cellulosic ethanol producers are not able to easily detach RINs from gallons, and thus the "producers [who] have retained ownership" of the RINs are very likely the cellulosic ethanol producers (or their marketers) who have experienced great difficulty in securing offtake for physical gallons and D3 RINs and/or achieving fair valuation for the RINs. Our member companies continue to believe these difficulties are primarily attributable to the fact that obligated parties may simply purchase a CWC in lieu of a D3 RIN. Further, the letter does not speak to the fact that the availability of CWCs (at a fixed price) in lieu of D3 RINs also serves to undercut the value of the RINs that are actually transacted. Thus, we continue to view current administration of the waiver credit program as a significant obstacle to the establishment of necessary cash flow for current producers and also to capitalizing future growth of cellulosic ethanol capacity.

The group that met with you in November would greatly appreciate the opportunity to meet again soon to continue the conversation.

Looking forward to seeing you in Dallas.

Regards,

Geoff

Geoff Cooper

Senior Vice President

Renewable Fuels Association

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To: Larry Schafer[lschafer@biodiesel.org]
From: Machiele, Paul
Sent: Thur 2/19/2015 8:14:26 PM
Subject: RE: Rumors / Facts ...

Larry,

I wasn't there to hear it and don't know what he may or may not have said, so I can't speak to it.

Paul

From: Larry Schafer [mailto:lschafer@biodiesel.org]
Sent: Thursday, February 19, 2015 3:14 PM
To: Machiele, Paul
Subject: Rumors / Facts ...

Paul,

Trying to do some fact checking here …

According to Platts and Reuters who are both at the NEC

Chris Grundler said:

The US Environmental Protection Agency plans to base its 2014 Renewable Fuel Standard on actual biofuels production, an agency official said Thursday at an ethanol conference, reiterating its pledge to issue the 2014, 2015 and 2016 mandates this spring.

The 2015 standard will be based on actual biofuels production to date and a projection of fuel demand and production through the rest of the year, said Chris Grundler, director of the EPA's Office of Transportation and Air Quality.

http://www.platts.com/latest-news/agriculture/dallas/us-epa-to-base-2014-rfs-on-actual-output-blend-21016342

So …

Does that mean the Biomass-based Diesel number for 2014 will be set at 1.75 billion gallons?

Larry Schafer

National Biodiesel Board

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LSchafer@Biodiesel.org

Biodiesel – America's Advanced Biofuel!

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Suite 505

Washington DC 20004

To: Korotney, David[korotney.david@epa.gov]
From: Feb. Biodiesel Bulletin
Sent: Mon 2/2/2015 8:44:12 PM
Subject: NBB CEO Sets Tone for 2015 Biodiesel Conference

View Web Version of This Message

February 2, 2015

NBB CEO Speech Sets Tone for 2015 Biodiesel Conference

Biodiesel Volumes Drop in 2014 Due to Policy Uncertainty

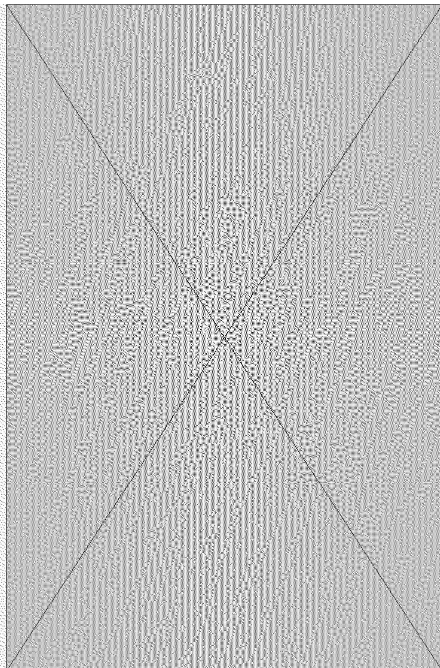
Highlights from 2015 National Biodiesel Conference Speeches

Foundation Auction Raises Funds For Biodiesel

Program Brings 30 Next-Gen Scientists to Biodiesel Conference

Eye on Biodiesel Awards Honors Industry Champions

The National Biodiesel Board recently honored industry champions who have significantly impacted the biodiesel industry. The "Eye on Biodiesel" award recognizes some of these tremendous leaders and their efforts. Five honorees were recognized at the 2015 National Biodiesel Conference and Expo in their own unique categories:



National Biodiesel Board CEO Joe Jobe kicked off the 2015 National Biodiesel Conference & Expo with a strong state of the industry speech declaring, “the truth matters.” Arguing that federal policy makers must see through the false attacks by renewable fuels opponents and provide certainty for their advanced biofuel industry in his opening general session speech last month in Fort Worth.

The annual biodiesel industry event features many learning sessions and business opportunities throughout the week-long event. In the 12th year of the conference, the biggest topic of discussion was by far the lack of action by the US EPA on the Renewable Fuel Standard volumes. The EPA initially proposed in November 2013 to hold the 2014 RFS biodiesel volume at 1.28 billion gallons. The agency subsequently withheld a final rule and has still not established 2014 volumes, also missing deadlines for the 2015 and 2016 volumes.

“President Obama has declared an all-of-the-above energy policy and made addressing climate change a priority,” said Jobe. “The RFS has demonstrated success in contributing to both those top priority goals. It is our goal for 2015 to get the RFS back on track."

Jobe began his presentation by invoking the tenants of Joseph Pullitzer and the first rule of journalism: “the truth matters.”□□ While acknowledging the biodiesel industry has many friends and good working relationships among oil producers, RFS opponents have distorted the record of renewable fuels, as well as made alarming predictions for the program – predictions that have proven wildly inaccurate, Jobe said. As a result, he said, the implementation of effective policy has been consistently damaged by their misleading rhetoric.□□ “Sensationalist tabloid headlines have no place in serious public policy debate – it makes for bad public policy,” Jobe said.

For the full release on his speech click here.

The U.S. biodiesel market shrunk in 2014 amid policy uncertainty in Washington D.C. that destabilized the industry and caused many biodiesel plants to shut down or reduce production.

The EPA figures reflect U.S. consumption of Biomass-Based Diesel, the vast majority of which is produced domestically.

According to EPA data released, found here, total U.S. biodiesel consumption fell to 1.75 billion gallons for the year, down slightly from nearly 1.8 billion gallons in 2013. The downturn came as the Obama Administration failed to finalize biodiesel volumes under the Renewable Fuel Standard (RFS) and Congress allowed the biodiesel tax incentive to lapse at the beginning of 2014.

After the record year of nearly 1.8 billion gallons in 2013, the EPA initially proposed in November 2013 to hold the 2014 RFS biodiesel volume at 1.28 billion gallons. The agency subsequently withheld a final rule and has still not established 2014 volumes, even as it has signaled that it will improve the original proposal. The continued uncertainty throughout the year has left the industry in a state of limbo, although many biodiesel companies continued producing based on assurances throughout the year from the Administration that RFS volumes would increase.

Last week the 2015 National Biodiesel Conference welcomed many exceptional speakers and panelists to Fort Worth ranging from former North Dakota senator Byron Dorgan, now an NBB consultant, to Tom Butcher with Brookhaven National Laboratory. Session topics touched on lots of pertinent issues such as the announcement of the new Retailer addition to the BQ-9000 fuel quality program, federal policy impacting the biodiesel industry in 2015 and the national security implications of building a domestic biofuels program.

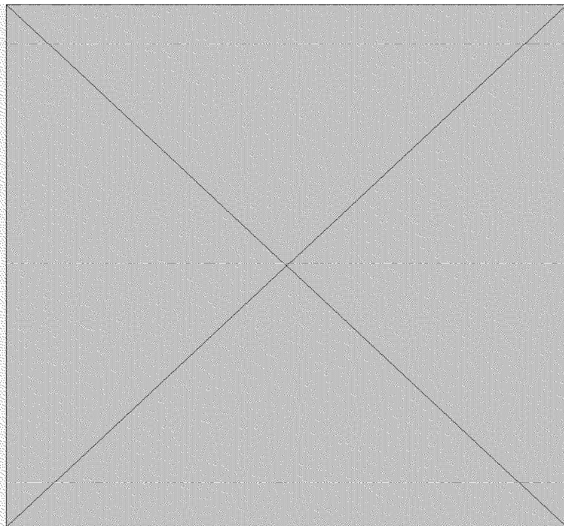
In case you weren't able to attend all of the fascinating and enlightening sessions, read the list of top quotes spoken at this year's conference for a sampling of what you missed.

3. "As both a former governor and a Naval officer I can tell you energy security remains among biofuels' most important benefits." - Matt Blunt, former governor of Missouri, during his day two keynote speech.

2. "Washington's inability to live up to the Renewable Fuel Standard suggests to me that there is not a minimum threshold there for embarrassment." – Sen. Byron Dorgan (Ret.), on a federal policy panel, pulled no punches on Washington for leaving the biodiesel industry hanging in a perpetual state of limbo.

1. "2015 has to be the year we get back to the future of the RFS program and out of the uncertainty the past." – NBB CEO Joe Jobe, who received a standing ovation during his opening address. He said federal policy makers must see through the false attacks by renewable fuels opponents and provide certainty for this advanced biofuel industry.

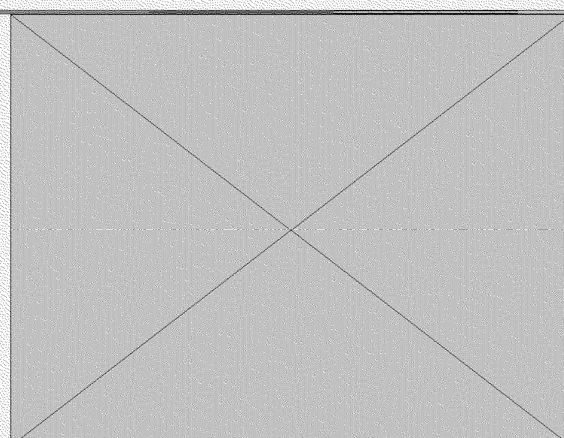
For the full top 10 quotes from the conference click here.



Just like every year at the conference attendees had lots of opportunities to support the National Biodiesel Foundation. One of those ways was a silent auction with some very unique items to bid on. With 60 items total, and things like a guitar signed by the Rolling Stones, the auction raised more than $20,000 for biodiesel research and education efforts.

The Foundation works closely with the National Biodiesel Board to address national issues affecting us all — cleaner air, greater economic development for rural communities, and enhanced national security through energy independence. Organized in 1994, the Foundation's mission is to accomplish outreach, education, research and demonstration activities for the advancement of biodiesel.

If you couldn't attend the conference you can still support the National Biodiesel Foundation. Just go online to make a donation. And be sure to bring your checkbook to the 2016 conference!



In January, some young faces joined the 900 biodiesel supporters attending the National Biodiesel Conference & Expo in Fort Worth, Texas. About 30 student members of the Next Generation Scientists for Biodiesel traveled to the event, many on scholarships.

"Most of what I knew about biodiesel was from working in the lab and reading articles, but it was very exciting to see all the companies and people fighting to take biodiesel production to a higher level," said Edith Martinez-Guerra, a Ph.D. candidate in civil-environmental engineering at Mississippi State University. "I am very thankful for the scholarship to attend.

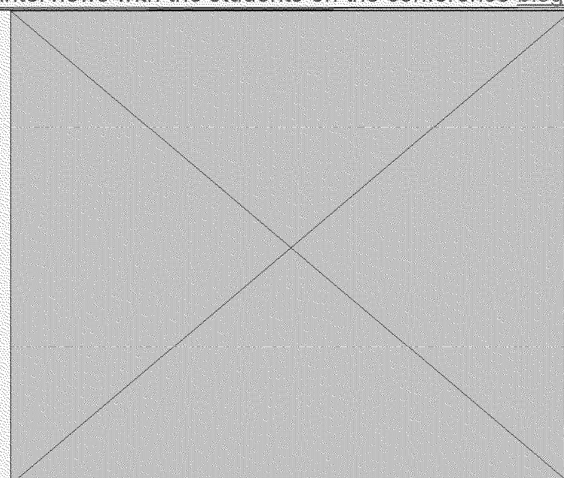
I had the chance to interact with many people in the industry, which will be helpful contacts after I earn my degree."

Schools represented included MIT, the University of Colorado – Boulder, the University of California – Davis, Newcastle University (UK), California Polytechnic State University, Appalachian State University and the University of South Carolina, among others. Many of the students, who come from a wide range of disciplines in the sciences, noted the intellectual impact the event made on them.

"The biggest change on my views of biodiesel after attending the conference was the sustainability of biodiesel," said Jesse Mayer, a biochemistry Ph.D. student at the University of Nevada – Reno. "Going forward, I will be sure to stress the minimal impact biodiesel has on food production. In fact at a recent lab meeting I shared this information with my colleagues"

The scholarships were supported by the National Biodiesel Board through a USDA grant, United Soybean Board funding and the South Carolina Soybean Board. The National Biodiesel Foundation also supported one scholarship through the Dallas Hanks Memorial Fund, in memory of the prominent feedstock researcher from Utah State University.

You can see photos and hear interviews with the students on the conference blog.

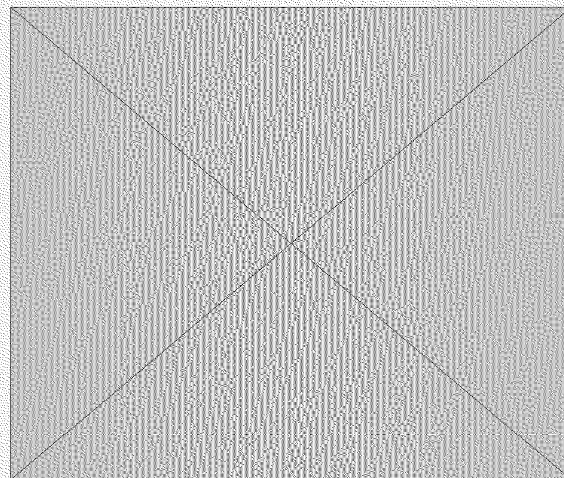


Innovation - Tom Butcher, Brookhaven National Laboratory

Dr. Tom Butcher, head of the Energy Conversion Group at Brookhaven National Laboratory has played an instrumental role in the technical research that formed the basis for the balloting of performance specifications for six percent to 20 percent biodiesel blended into traditional heating oil as a new fuel grade in the ASTM D396 fuel oil standard. His groundbreaking work documenting the positive field experience with biodiesel blends and providing research background were major factors in addressing questions brought up by the NORA/NBB-lead Bioheat Technical Steering Committee.

Impact - Senator Al Franken

U.S. Sen. Al Franken of Minnesota has long been a champion for biodiesel in Washington and accepted a leadership role last year in challenging the EPA's initial proposal that would have weakened Renewable Fuel Standard (RFS) volumes. Sen. Franken helped organize his Senate colleagues in holding meetings on the issue with senior Administration leaders. He has coordinated advocacy letters from members of Congress, and he has spoken out publicly to highlight biodiesel's benefits across the country as he fought for a strong RFS. His advocacy and leadership have been instrumental in helping to develop a policy environment in which biodiesel can continue to grow.



Influence - Jerry Schoenfeld

Jerry Schoenfeld of Minneapolis based Greater States Advisors has been instrumental in development, passage, and defense of landmark biodiesel legislation in Minnesota since 2000. Without the lobbying expertise and efforts on behalf of the Minnesota Soybean Growers Association, the state would not have the favorable biodiesel policies that it does today. Successes include a five-year process that led to the first in the nation B2 statewide blend requirement passed in 2002 and implemented in 2005. In 2009 the state implemented legislation to move to B5, the move to B10 was implemented in 2014, and B20 is on track to be implemented in 2018. The state of Minnesota has long been a leader in the biodiesel industry and much of that is due to these favorable policies.

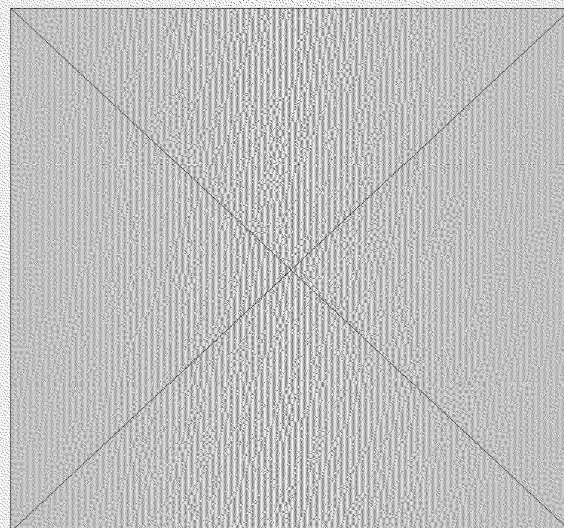
Inspiration - Greg Anderson, Nebraska Soybean Board

Nebraska soybean farmer, and long-time biodiesel advocate, Greg Anderson is considered an inspiration for his full time devotion to fellow soybean farmers. He has served in more volunteer roles than can be named, but a few include; past chairman of the United Soybean Board, board member on the Nebraska Soybean Board, a long-time representative of NSB to the National Biodiesel Board, former NBB technical committee chair, current NBB marketing committee chair, and he was recently re-elected as NBB secretary. In August, while working on his fifth-generation family farm, he suffered a near-fatal accident and was severely burned on his head, back, arms, and hands. While the physical recovery from his painful injuries was spectacular, even more so was how incredibly positive, grateful, and upbeat he remained throughout the process. His tremendous attitude, along with his selfless service to the biodiesel industry are truly inspirational.

Pioneer Award – Dallas Hanks

The biodiesel industry lost a true pioneer last June with the passing of Utah State University's Dr. Dallas Hanks. Dallas was a brilliant scientist, educator, humanitarian, entrepreneur, and all around good person. He spearheaded the visionary feedstock program Freeways to Fuels, was a huge supporter and contributor to NBB's Next Generation Scientists for Biodiesel program. He had a hand in numerous oilseed test plots, biodiesel laboratories, and technology start-up business at the university and around the region. The respect he had from his peers was second to none, and he has left a truly lasting legacy in the biodiesel world.

Diesel Vehicle Options Powered by Biodiesel Blends are Growing



The National Biodiesel Conference and Expo showcased a bumper crop of new clean diesel vehicles. These 2015 options are beginning to arrive in dealership showrooms nationwide, offering U.S. consumers more selections in their quest to drive cleaner, more fuel-efficient vehicles capable of running on domestic, and renewable biodiesel blends.

Conference attendees put some of these diesel vehicle models to the test during the 2015 Biodiesel Ride-and-Drive Event. The event featured a sampling of some of the many new biodiesel-capable models available in 2015, including the popular Chevy Cruze diesel sedan, a 2015 Volkswagen Beetle TDI, a 2015 Ford F250 SuperDuty pickup, a 2015 Ford Transit van, and the 2015 Hino 195h DC - a medium duty double cab diesel electric hybrid truck.

With 47 new clean diesel car, truck and SUV models available now or launching soon in the 2015 model year, automotive industry experts predict that consumers will have more than 62 diesel vehicle models to choose from in North America by 2017. With more than 27 other automotive brands supplying numerous diesel engines, and over 115 different diesel models for the Medium- and Heavy-Duty truck, bus and RV markets, diesel vehicle market share forecasts for the U.S. are on the rise. Industry experts predict that diesel vehicles will make up 10 to 15 percent of the U.S. market by the year 2025, up from just over 3 percent in 2014.

The dramatic growth in availability of new technology diesel engines and vehicles for the U.S. market is welcome news for consumers and fleets that want the tremendous power, performance and fuel economy of a diesel engine, while minimizing their impact on the environment. This is because any diesel vehicle can also operate on clean, renewable biodiesel blends – America's Advanced Biofuel.

For more on the 2015 National Biodiesel Conference & Expo visit the conference blog and official photo album.

For the latest issue of *Biodiesel Magazine* click here.

P.O. Box 104898
Jefferson City, MO 65110-4898

To: Korotney, David[korotney.david@epa.gov]
From: National Biodiesel Conference & Expo
Sent: Tue 1/13/2015 3:03:07 PM
Subject: Calling All Procrastinators